BNZ Weekly Overview

16 June 2011

Mission Statement

To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy and its implications in a language they can understand.

In this week's issue….

The Weekly Overview is written by Tony Alexander. The views expressed are my own and do not purport to represent the views of the BNZ. To receive the Weekly Overview each Thursday night email me at tony.alexander@bnz.co.nz with 'Subscribe" in the Subject line.

Economy Improving

The main threads running through economic commentary relevant to the bulk of people reading the Weekly Overview are these.

- The outlook for world growth has pulled back in the past few weeks with bad data out of the United States as regards jobs, housing, manufacturing and GDP, new and rapidly deepening worries about Greece and the possibility of a default, Japan struggling post-earthquake with political paralysis again, slowing Chinese growth including exports, continuing bad UK data with no growth over late-2010 to early-2011, and even some weaker than expected data in Australia for jobs growth. This should make us wary about short term sustainability of our export commodity prices and that will act to further delay the time when farmers move from debt reduction to spending and investing.
- NZ consumers and businesses are confident about the future but unwilling to aggressively spend as yet. That is good for balance sheets but means restrained retailing and capital spending in the short term.
- The NZ housing market is improving in terms of turnover led by Auckland where prices are trending upward driven by increasing awareness of shortages. But construction is in a deepening recession and outside Auckland prices are going nowhere.
- The labour market appears quite firm with employers looking to secure staff amidst growing worries about structural skills shortages – something interestingly appearing even in the US where the unemployment rate is 9.1%. Ours is 6.6%.
- The Kiwi dollar is strong not on the back of high interest rates but the highest terms of trade in almost four decades plus investors looking for some diversification away from major currencies each of which has fundamental problems. Federal deficit and limited growth in the US, government debt and bank exposure to default in Europe, political deadlock, high deficits and debt in Japan.

This week I am spending three days speaking with bank clients at National farm Fieldays at Mystery Creek near Hamilton. For those of you overseas wondering what this is it is the biggest agricultural trade show in the Southern Hemisphere and about the fifth biggest in the world, attracting nearly 1,000 exhibitors and near 130,000 attendees. Over the previous two years sentiment has been decidedly downbeat because of weak commodity prices in general, high debt, rising costs, tightening monetary policy, and worries about developments in foreign markets. This year farmers are enjoying record commodity prices, newly low interest rates, good growing conditions, but as we are finding, still worries about debt. Farmers are showing increased willingness to spend on fertilizer, livestock improvement, catch-up farm maintenance and a few farm buildings. But there is no firm sign yet of that rising spending willingness extending out of capex into general retailing.

This means that for the next few months the traditional feed-through of high farm incomes into fast NZ economic growth will be muted as farmers concentrate on debt repayment. But we retain our expectation that over 2012 the spending growth will widen and accelerate and this will contribute to possibly above 4% economic growth over 2012, rising interest rates, and further firming of the NZD.

This week the following material has been added to www.tonyalexander.co.nz

Weekly Newspaper Column http://tonyalexander.co.nz/newspaper-column/

We look at the housing market.

BNZ-REINZ Market Survey http://tonyalexander.co.nz/bnz-reinz-survey/

Our monthly survey of licensed real estate agents has found still little indication of price inflation, but continuing improvement in the number of people through Open Homes, more investors and even more first home buyers entering the market, and fewer buyers holding back because they are worried about securing finance.

Other Website Material

- **Situation and Outlook for the NZ Economy** – eight pages of snippets and outlooks for specific variables and sectors. Updated early each month. http://tonyalexander.co.nz/nz-outlook/
- **Weekly syndicated newspaper column** http://tonyalexander.co.nz/newspaper-column/
- **State of the NZ Labour Market** Updated mid-month. http://tonyalexander.co.nz/nz-labour-market/
- **BNZ-REINZ Market Survey** Released second week of each month. http://tonyalexander.co.nz/bnz-reinz-survey/
- **Real Estate Overview** Updated mid-late each month. http://tonyalexander.co.nz/bnz-reinz-survey/
- **Archived Weekly Overviews** www.bnz.co.nz/tonyalexander

Is Our Economy Getting Better or Worse?

In this section we look only at what the data are actually telling us and pay no attention to forecasts or intentions measures.

So here we sit, filled with optimism regarding the economy's future on the back of the rebuilding of Christchurch and the flood-like wave of farmer spending expected to wash over our regional retailers and into the cities. Hope is one thing. What about reality? That is what this section focuses on exclusively. Is there any sign that the rate of growth in our economy is accelerating? And is there any sign that it is a good acceleration along the lines of rising exports and hastening capital spending rather than just another unsustainable debt-driven surge in household spending destined to die in yet another monetary policy funeral pyre?

Export growth is certainly strong – but not for all sectors. High commodity prices are boosting pastoral receipts, but horticulture is affected by PSA, manufacturing by the high NZD against everything except the Aussie dollar and Japanese yen, and tourism by the same high currency plus restrained individual spending offshore. Wine exports have been hit by reduced offshore eating out and a glut of the vinegary liquid, and the export education sector has been hit by the earthquake. This week we have not received any new data regarding the speed of the export sector growth.

We also have not received anything new with regard to business capital spending. Outside of rising registrations for commercial vehicles and tractors, plus improving farm sales there is no evidence yet that businesses are boosting the country's capital stock. We do know however that there is in some areas rapidly rising interest from businesses in arranging finance for planned expenditure not too far down the track.

On the household consumption side we have seen the release this week of stronger than expected March quarter retailing numbers and firm annualised growth in Electronic Card Spending in the three months to

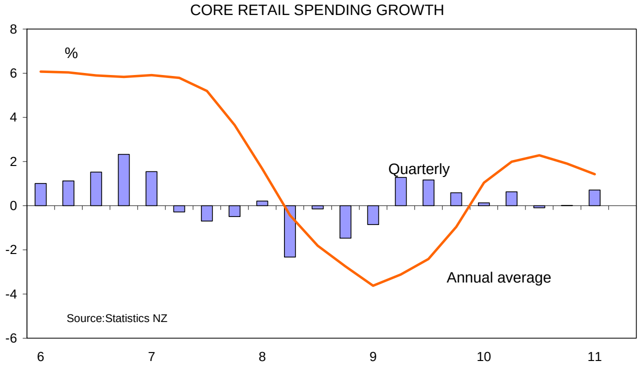
May. Retail spending growth appears to be accelerating, however because the ECT measure actually fell slightly in the individual month of May we think the upturn is still tentative – though it is definitely there.

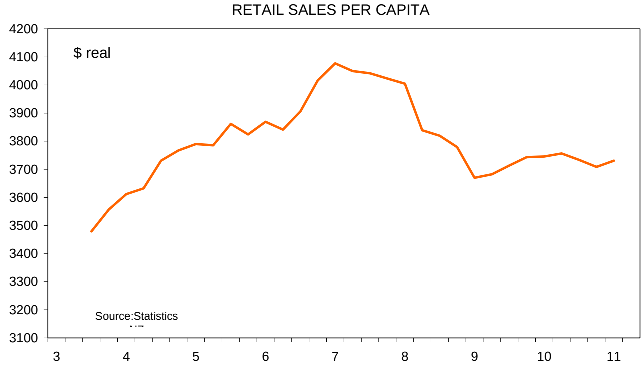
In the housing market we have construction in deep and deepening recession, but turnover is slowly improving in the real estate market led by Auckland where the country's housing shortage is the greatest.

We remain strongly optimistic of good growth. But the data are not yet showing it to a firm degree – though some series are moving in the right direction.

Are householders opening their wallets more?

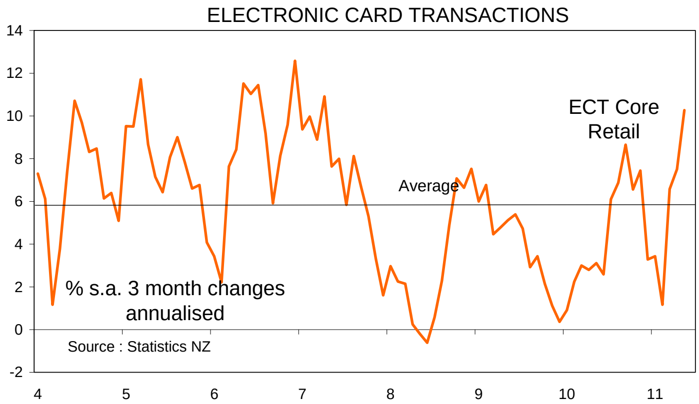
This week we learnt that during the March quarter the real seasonally adjusted volume of retail spending rose by a slightly stronger than estimated 0.9%, or 0.7% using the core measure which excludes fuel and automobiles. This followed core spending growth of only 0.1% during the December quarter and meant the volume of core spending was only 1.3% stronger than a year ago. Growth of 0.7% is 2.8% annualised which is respectable, though not strong. However if we make allowance for sales in Canterbury falling about 3.5% in real terms during the quarter then the core retail growth figure was a relatively strong 1.3%.





There was also good news in sales of durables recovering 2.8% and contributing two-thirds of the 0.7% improvement. But here is where we find some justification for being cautious. Sales of durables fell 3.3% post-GST during the December quarter therefore much of the seemingly good March quarter retailing growth was just a recovery after a horrid pre-Christmas period for retailers of furniture, hardware, and electrical goods.

But at least there is retailing growth and there is a challenge to the strong negativism still coming through our monthly BNZ Confidence Survey. For your guide, during the March quarter the Electronic Card Transactions series we receive on a monthly basis grew by 1.6% in nominal terms while the official retailing series grew 0.9% nominal. The ECT series was biased upward 0.7% if one had used it as a retailing proxy. For the December quarter the upward bias was 0.8%. Therefore when we look at the ECT data for May which we also received this week and calculate that in the three months to May the core ECT measure rose by 2.6% we should really knock it back to 1.8% to get a retailing estimate.



That 1.8% is more than the 0.9% for the March quarter therefore we think one can reasonably conclude that there is solid evidence retail spending growth in the NZ economy is accelerating. However before retailers start placing bigger orders for Christmas it is worth noting that in the month of May the core ECT measure actually fell by 0.1% so the growth is not a straight line rise by any means and we think some caution is still warranted.

Is business output rising?

Nothing new.

Are businesses hiring more people?

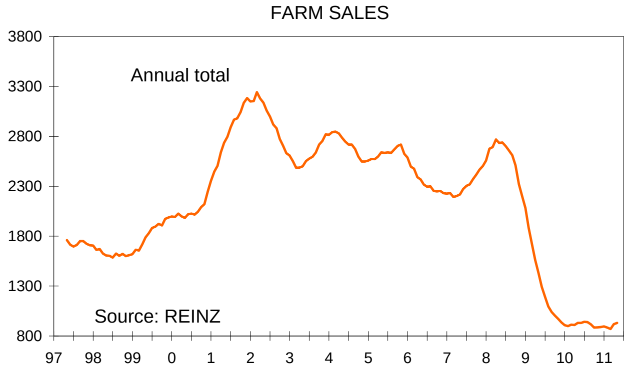
To view our latest monthly NZ Labour Market report click here. http://tonyalexander.co.nz/nz-labour-market/

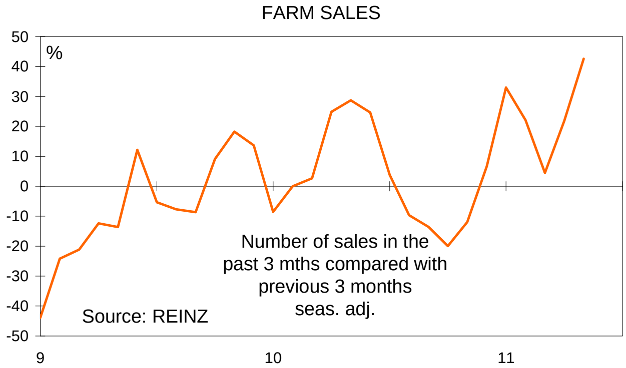
Also nothing new.

Are businesses boosting their capital spending?

To see how businesses are feeling right now one can read our monthly BNZ Confidence Survey here. http://tonyalexander.co.nz/bnz-confidence-survey/

If we count farm sales as capital spending (not really) then the answer is yes. In May there were 130 farms sold around the country compared with 118 in May 2010. More importantly, sales for the three months to May were 14% ahead of last year and in rough seasonally adjusted terms sales were ahead 40% from the three months to February when they were ahead 22%. So there is strong evidence that farm real estate activity is growing firmly.





INTEREST RATES

Growth vs. Economic Slack

In a nutshell this is what drives inflation along with institutional arrangements, imported inflation, and exchange rate changes. If you want to forecast monetary policy you need to monitor these things. So we will, adding stuff here when we learn it. The current common view is rate tightening from December. Have we learnt anything this week which alters this outlook?

This week we have seen the release of a couple of surveys showing rising consumer sentiment and that means resource pressures further down the track as consumers boost their spending. The March quarter retailing growth rate was in fact quite respectable. We have also learnt of accelerating growth in farm sales and improving real estate turnover with underlying firm price rises perhaps appearing in Auckland.

None of these things adds up yet to a worrying resource demand/supply situation for the Reserve bank and instead simply argue having an expectation of tightening monetary form later this year is reasonable.

Other Inflation Influencers

Rate Movements This Week

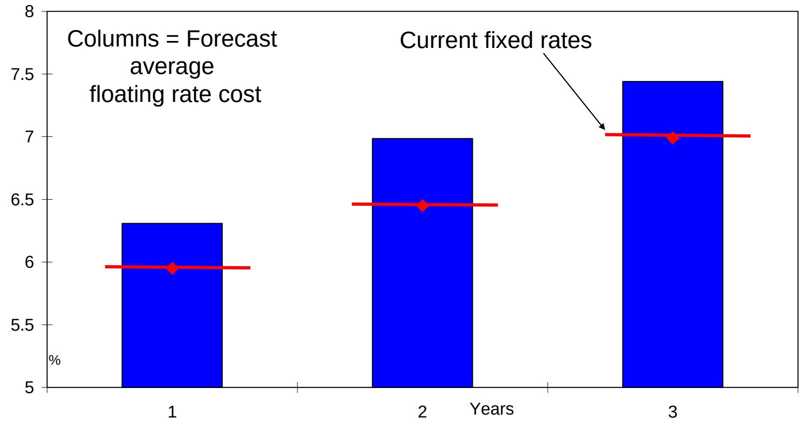
With new worries about the Greek debt situation, and weak US economic data, a bout of risk aversion has swept around the globe producing weaker equities, lower commodity prices, selling of far flung risky currencies like the NZ and Australian dollars, and some mild falls in wholesale interest rates. Mainly however NZ rates have been pushed lower over the week in response to Monday's new earthquakes in Christchurch. However all rates remain well within recent trading ranges and we retain our long-running view that NZ monetary policy is on track for tightening in December with the cash rate rising from the current 2.5% to 5%.

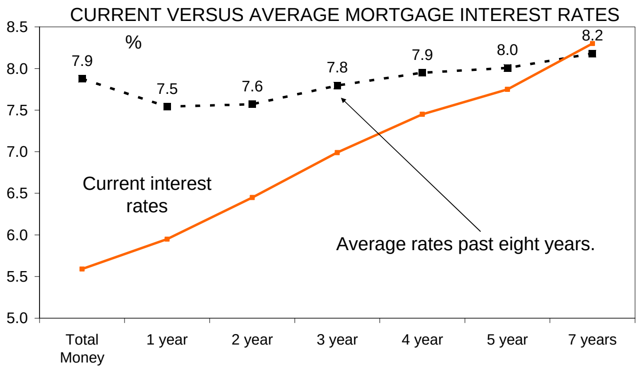
FINANCIAL MARKETS DATA	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	2.50%	2.50	2.50	2.50	2.75	5.9
90-day bank bill	2.68%	2.65	2.71	2.69	3.10	6.2
1 year swap	2.90%	2.99	2.85	2.75	3.83	6.3
5 year swap	4.45%	4.52	4.48	4.43	5.13	6.6
180-day term depo	4.30%	4.40	4.60	4.10	4.80	6.0
Five year term depo	6.00%	6.00	6.00	6.50	6.75	6.5

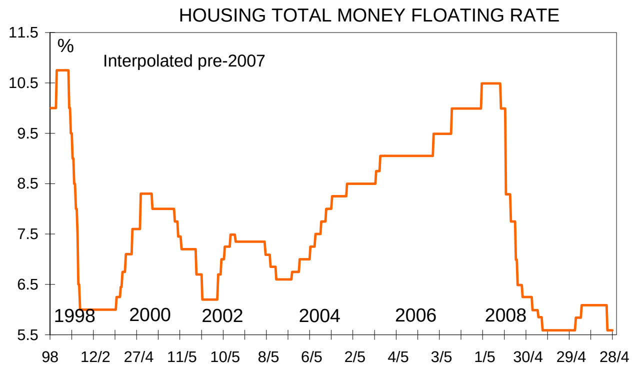
If I Were a Borrower What Would I Do?

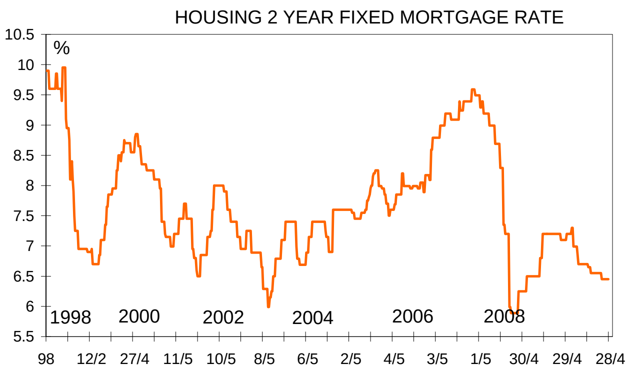
The threat to floating interest rates at the moment still remains low so by staying floating I am going to have nice low cash outflows for not only the rest of this year but much of 2012 as well because it will take some time once the policy tightening cycle starts for rates to reach where current fixed rates are for the likes of the two year fixed rate (6.45%) and three year rate (6.99%). However, our analysis below suggests that floating one's mortgage will yield a higher cost than fixing for all of the one, two and three year terms.

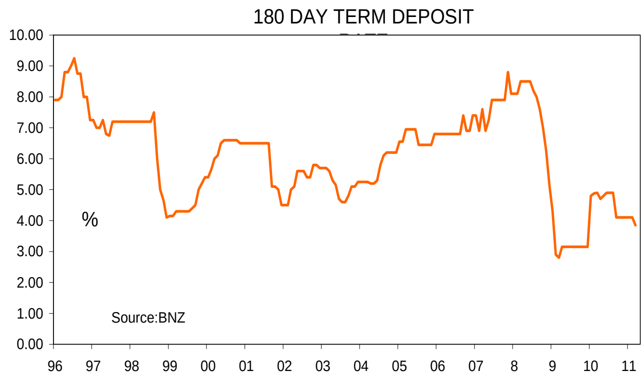
I will want to fix at some stage and it is a question of how long do I feel safe sitting on a floating rate believing I will be able to go fixed before the fixed rates jump up. Conservative borrowers should probably already be slotting some of their interest rate risk away by fixing for two or three year periods and as each week goes by and we get closer to December when we anticipate floating rates rising, more and more borrowers will find themselves in this position.











If I Were a Term Deposit Investor What Would I Do?

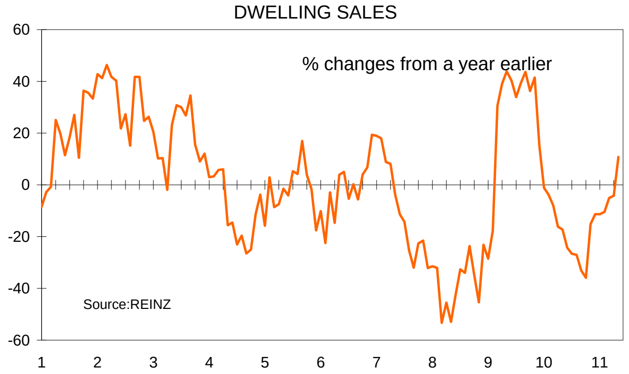
Nothing new. I would be sticking to short rates looking to ride these rates up over the tightening cycle from late this year.

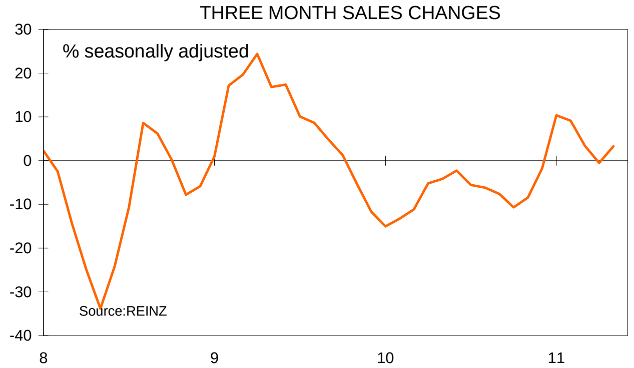
HOUSING MARKET UPDATE

To view the most recent results of our monthly BNZ-REINZ Market Survey and read our monthly Real Estate Overview click here. http://tonyalexander.co.nz/bnz-reinz-survey/

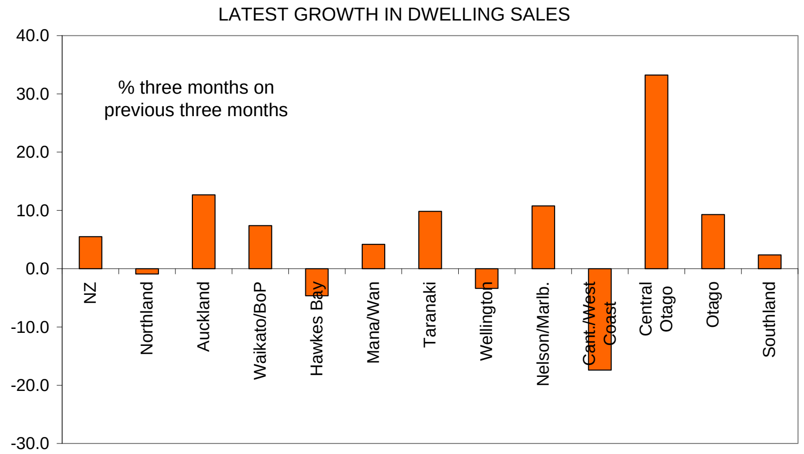
Sales Rising – Prices Not So Much Yet

This week we learnt that seasonally adjusted dwelling sales rose by a strong 2.6% in May after rising 3% in April and 3.8% in March. That means growth of a firm 5.5% for the three months to May when compared with the three months to February which itself was a period of slight shrinkage of 1.9%. Our expectation is that assisted by a recovering and then eventually strong labour market plus low interest rates for quite some time that this improvement will continue.

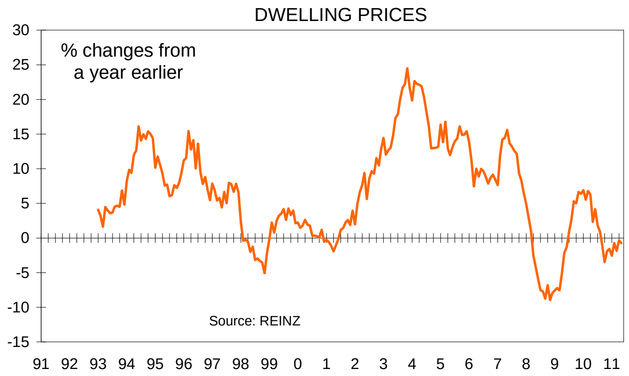


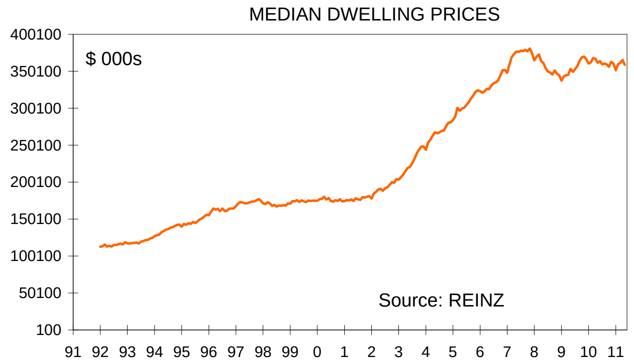


On a regional basis we see in the following graph that in the three months to May sales growth was strongest compared with the three months to February (data seasonally adjusted) in Central Otago (33.2%) followed by Auckland at 12.7% then Nelson/Marlborough at 10.8%. The still shrinking turnover markets are Northland, Hawkes Bay, Wellington, and Canterbury/West Coast.

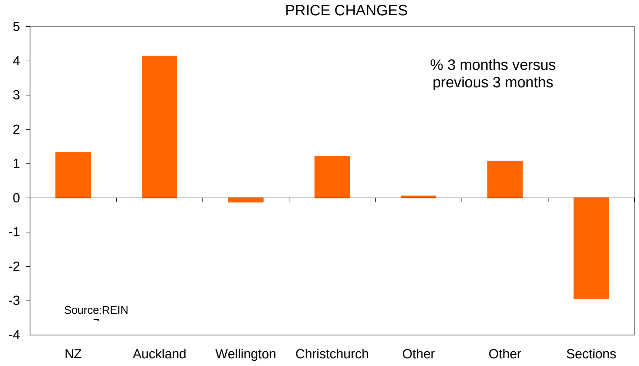


When it comes to prices however there is no overwhelming evidence yet that on a nationwide basis prices are yet following the same upward pattern as sales. In May the stratified sales price measure eased by 1.8% to deliver a 1.3% rise over the three months to May from a 0.6% fall in the three months to February and 0.5% fall in the three months to November. The recovery in the past three months in prices is then best viewed we think as simply that – a recovery from weakness in the previous six months and not yet the start of the upward leg of the price cycle – though it could be that when we look back in a few months time.

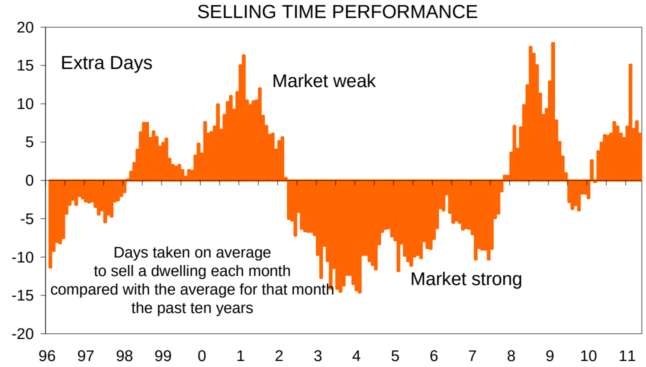


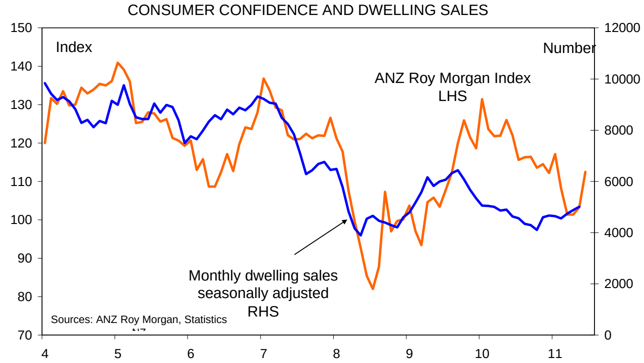


Note however that in Auckland the price index has risen 4.1% in the three months to May compared with the three months to February and we read that as being a tad more than a simple recovery from a 1.5% fall in that earlier three month period. Note however that over just the month of May the Auckland measure fell 2.2%. What this says to us is that Auckland's underlying price trend is upward but it is not a straight line myopic buy anything and you'll be quickly right situation. There will be bumps.



Finally, on average nationwide in May it took 43 days to sell a dwelling. This was 6.1 days longer than average over the past six years whereas April's 43 days was 7.7 days longer than average for that month and March 6.7 days. The May result was the best in these terms since December's 5.5 days and suggests that there is underlying activity improvement underway but that it still takes a few days longer than average for a vendor to move a property.





One factor relevant to people's willingness to buy things such as houses is clearly their confidence about the economy and their own finances. Such confidence appears to be improving with the monthly ANZ Roy Morgan measure rising to 112.5 in June from 103.3 in May where a reading of 100 is neutral. This is the strongest reading since January's 117.1 and correlates with the rise in business sentiment we reported last week in the BNZ Confidence Survey. Note the broad correlation between this confidence measure and dwelling sales numbers shown in the graph here.

Are You Seeing Something We Are Not?

If so, email us at tony.alexander@bnz.co.nz with Housing Comment in the Subject line and let us know.

MAJOR OFFSHORE ISSUES

European Debt

The various parties involved in the Greek debt situation continue to state their relatively strong positions in the media and on the face of it things are headed toward a crisis involving default. However all parties have a strong interest in making sure this does not happen. For instance Greece would lose all ability to access the private sector debt markets for a number of years. The European Central Bank would suffer losses on the large quantity of Greek government bonds which they hold. European banks would suffer losses which could cause some to lose enough of their capital bases to lead to another Lehmans like wave of bank collapses bringing yet again a freezing up of the global credit markets.

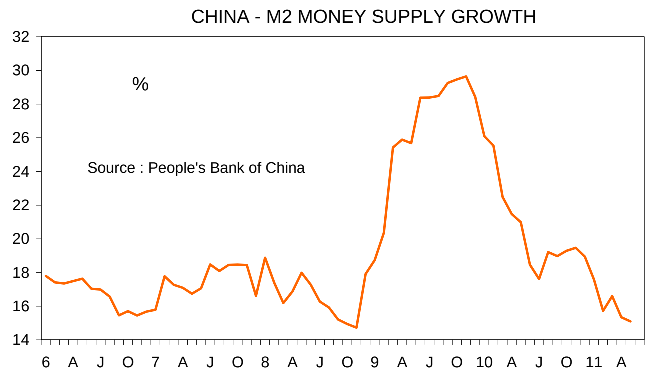
No-one wants that last event to happen so the chances are that some resolution will be reached by the end of the month perhaps involving the ECB accepting some voluntary swapping of debt by investors for longer term bonds. The Germans want private investors to bear some of the cost of any debt reorganisation but the obstacle there is that such a move would undoubtedly qualify as a default event and officially trigger the Credit Default Swaps which many investors, including banks, have issued for those wanting insurance against default.

This week Standard and Poors cut Greece’s debt rating by another three notches to a junk status of CCC saying the government is likely to default on its debt at least once by 2013. This in spite of Greece recently announcing plans to reduce their near €400bn debt level with €50bn of asset sales and an extra €28bn of new taxes and spending cuts.

Last night the Greek government failed to form a coalition with the Opposition, the PM offered to resign, and there was increased rioting in the streets. These events have scared investors away from risky assets for the moment.

Chinese Inflation

There were four meaningful data releases relevant to the Chinese economy over the past week. The first was the monthly trade release showing weaker export levels than expected which led to not so much concern about slowing growth but a bit of relief that measures aimed at suppressing inflation may be working. Then again, the numbers were probably biased downward by interruptions caused by the earthquake in Japan early in March. In addition, up until a couple of weeks ago in China electricity blackouts were being initiated by coal-fired generators placing pressure on the government to let them raise selling prices to compensate for rising coal prices. They had some success. Exports in May were ahead 19.3% from a year ago after being up 29.9% in April. The graph shows three month growth on a year earlier.



Second, lending growth is slowing down in China with an increase in bank books of 552bn yuan in May compared with 740bn in April and expected growth in May of 650bn. As a result the main money measure people follow for China, M2, was ahead 15.1% in May from a year earlier which was down from a 16% rise in April. The target rate of growth for this year is 16%.

The third number was for inflation in the year to March which came in at 5.5% from 5.3% in April. The three year high rate of inflation came about mainly as a result of food price increases of 11.7% so to the extent commodity price rises ease off this measure will also creep lower and the release has not unleashed a fresh wave of inflation worries.

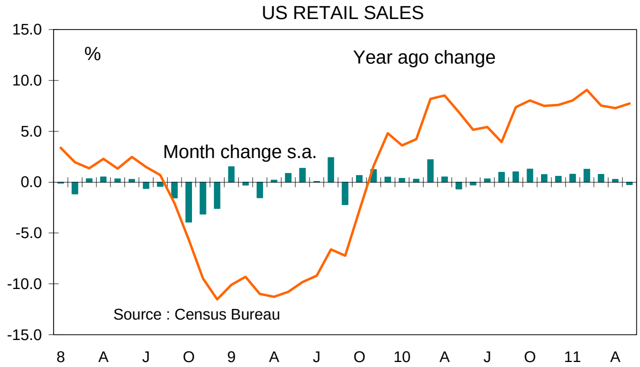
The fourth release was May industrial production data which showed a 13.3% rise from a year earlier which was better than the 13.1% expected.

There was also yet another announcement from the People's Bank of China regarding the reserve asset ratio for banks which has now been lifted another 0.5% to a record 21.5%.

US Growth Momentum

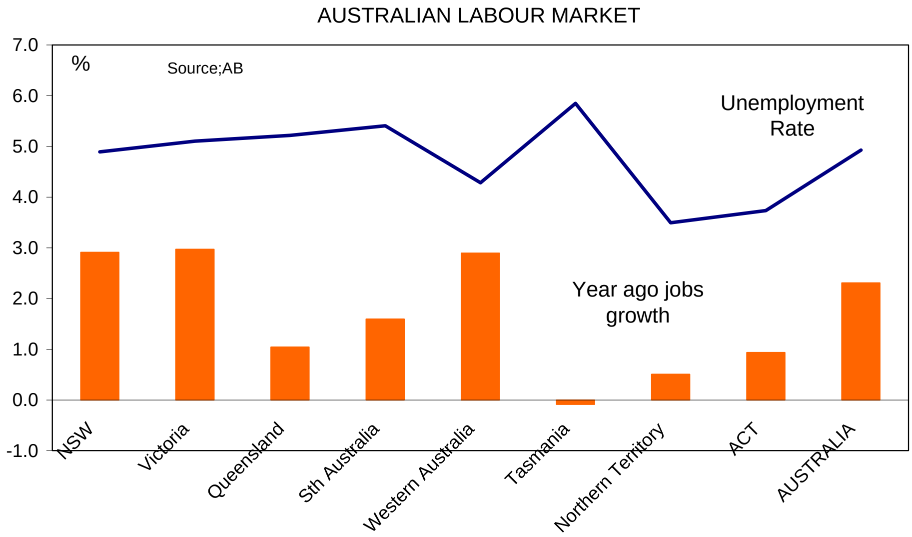
The week has not been a big one with regard to new information on the US economy. The underlying story is one of cash rich generally well capitalised medium to large-sized businesses who are however unwilling to hire and partly because of that householders are unwilling to spend on retail goods or housing. That means continuing weak Federal government receipts and an appalling fiscal deficit outlook which will require bipartisan efforts to control it – something generally not achieved outside of war conditions.

This week we learnt that retail spending fell 0.2% in May which is obviously bad. But after removing autos the change was a less bad gain of 0.3%. Still whichever way one cuts the numbers it is clear that strength seen earlier in the year has disappeared over the past couple of months.

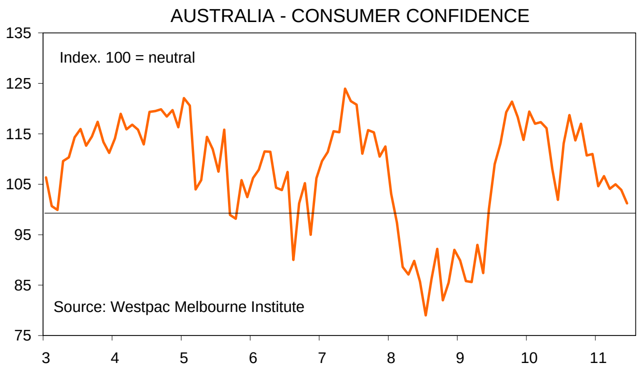


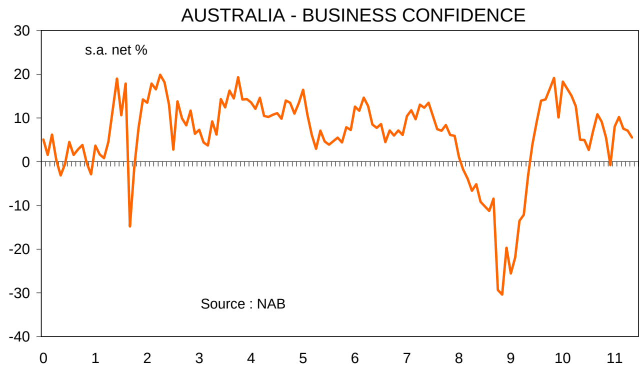
Australian Growth

For your guide here is what the situation as regards the labour market in Australia looks like on a State by State basis. Over the past year jobs growth has been fastest in Victoria at 3% followed by Western Australia and New South Wales each at 2.9% then South Australia at 1.6%. Job numbers in contrast have fallen by 0.1% in Tasmania and this has helped produce Tasmania's relatively high unemployment rate of 5.8%. Across all Australia the unemployment rate is 4.9% with Western Australia at 4.3%. All numbers are based on seasonally adjusted data except the two small territories of ACT and Northern territory which are trends.



In Australia this week the Reserve Bank Governor gave a speech indicating quite clearly that he expects the strong commodity boom to continue and that therefore pressure will remain upward on resource use and inflation. More interest rate rises are to come therefore and the Australian currency looks like it will remain well supported. But high interest rates are designed to suppress the non-mining and infrastructure parts of the economy and that is what is happening. Consumer confidence measured in the Westpac-Melbourne Institute survey fell to a reading of 101.2 in June from 103.9 in May where 100 is neutral. The index is now at its lowest level since June 2009 and suggests a weak second half of the year for Australian retailers.





In fact speaking of weakness, the NAB monthly business survey recorded the third month in a row of decreased confidence with a reading of 5.5 from 7.1 in April where zero is neutral. The employment index eased to 1.4 from 4.0, and business interpretation of the state of current trading conditions eased to 1.9 from 6.6. All in al a fairly weak survey which suggests the weakish employment report released recently may be repeated for the coming month.

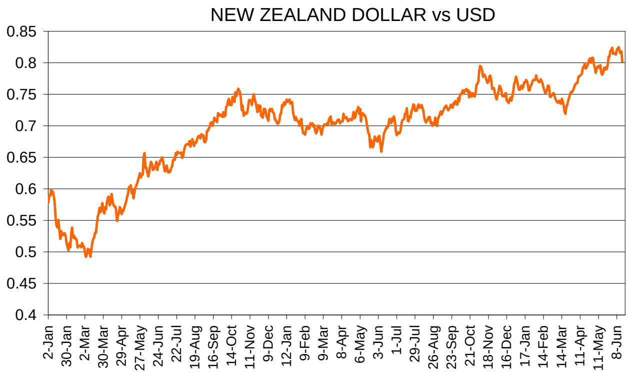
Exchange Rates

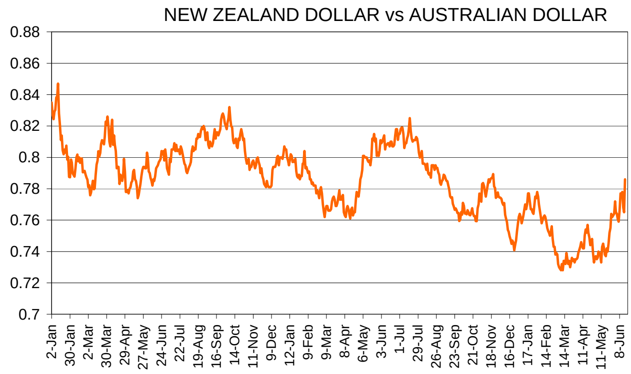
Exchange Rates	This Week	Week Ago	4 wks ago	mths ago	Yr ago	Consensus Frcsts yr ago*	10 yr average
NZD/USD	0.802	0.823	0.784	0.732	0.698	0.689	0.629
NZD/AUD	0.786	0.777	0.742	0.739	0.807	0.773	0.855
NZD/JPY	65.000	65.900	63.400	59.100	63.8	67.7	68.4
NZD/GBP	0.495	0.500	0.484	0.455	0.471	0.448	0.368
NZD/EUR	0.566	0.562	0.557	0.523	0.567	0.52	0.511
NZDCNY	5.199	5.336	5.101	4.811	4.769		4.83
USD/JPY	81.047	80.073	80.867	80.738	91.404	98.3	109.9
USD/GBP	1.620	1.646	1.620	1.609	1.482	1.54	1.705
USD/EUR	1.417	1.464	1.408	1.400	1.231	1.33	1.229
AUD/USD	1.02	1.06	1.06	0.99	0.86	0.891	0.737

*Sourced from Consensus Economics. http://www.consensuseconomics.com/

Kiwi Generally Weaker

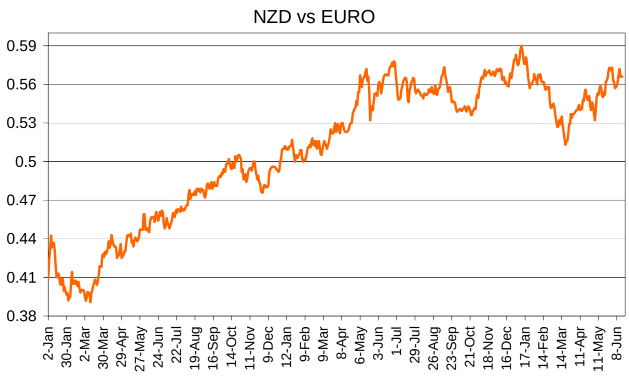
The Kiwi dollar has lost two cents against the greenback over the past week, shed some ground also against the yen and pound, but risen a tad against the euro and jumped one cent against the Aussie dollar.

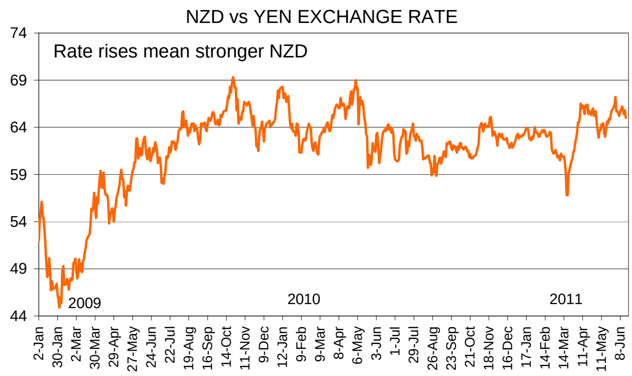




The gain against the USD reflects three things.

- Strength in the greenback on flight-to-safety buying following a surge in worries about Greece overnight with the same factor driving selling of far flung risky currencies.
- Reaction to Monday’s earthquakes in Christchurch.
- Falls in commodity price indexes overnight.





If worries about Greece deepen then the NZD will fall further. But once the current bout of the heeby geebies passes we expect the Kiwi dollar to rise again on the back of strong commodity price support. Exporters therefore might want to take advantage of the current period of weakness to get some extra hedging on against the USD. The rise against the Aussie dollar to a seven month high has been driven by more aggressive selling of the AUD amidst rising risk aversion than selling of the NZD.

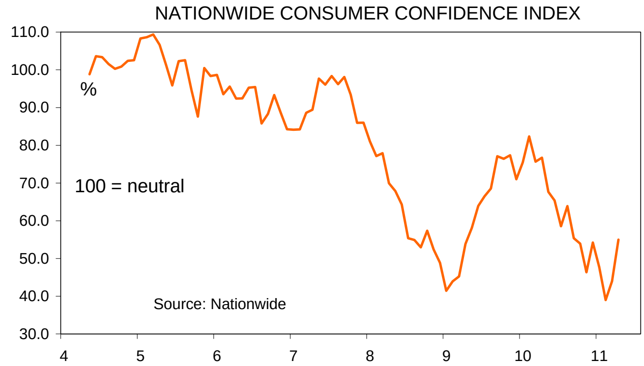
United Kingdom

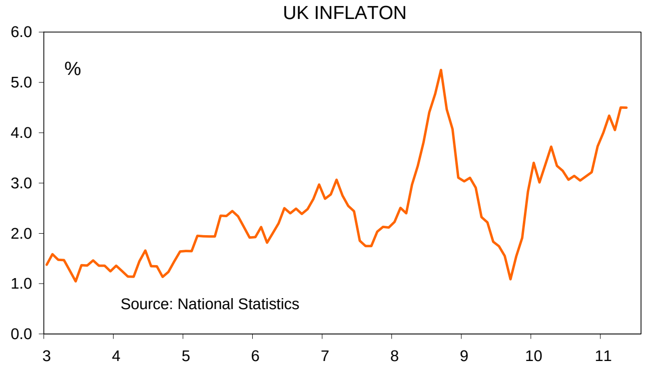
One of the key indicators for any economy is the state of the housing market, and although there is a general belief that a small shortage of properties exists in the UK, there is still no evidence that the sector is recovering in terms of either construction, turnover or prices. During the week one of the many monthly pricing measures for the UK came in worse than expected – this one being the net percent of Royal Institute of Chartered Surveyors saying prices are falling. The outcome was 28% falling from a net 21% in April and an expected 20%. This is the worst result since January.

A weak housing market acts as quite a constraint on the ability of an economy to function properly. People are reluctant to sell or simply cannot and that means that the labour market does not respond efficiently to changes in employer demand changes on a locational basis. People stick at their existing jobs when better ones are available elsewhere.

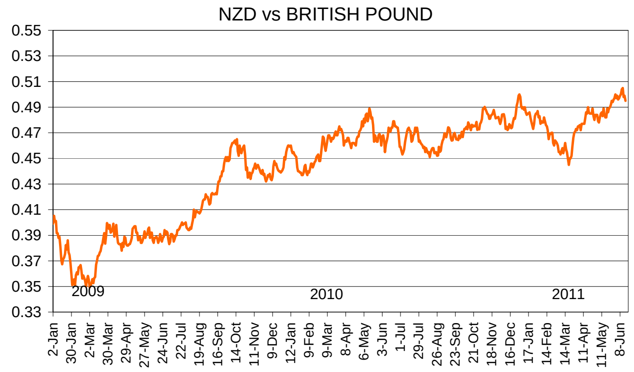
This factor probably also helps explain why in the past year the gross flow of British people to NZ as migrants has fallen 14,190 from 16,167 a year ago and 18,768 two years ago. Of course the exchange rate also plays a role here and while during the week the NZD fell back below 50 pence as a result of the new earthquake on Monday and worries about Greece we expect that shortly the NZD will be back above that level probably headed toward 55 pence given the divergent monetary policy tracks NZ and the UK are likely to take in the coming year.

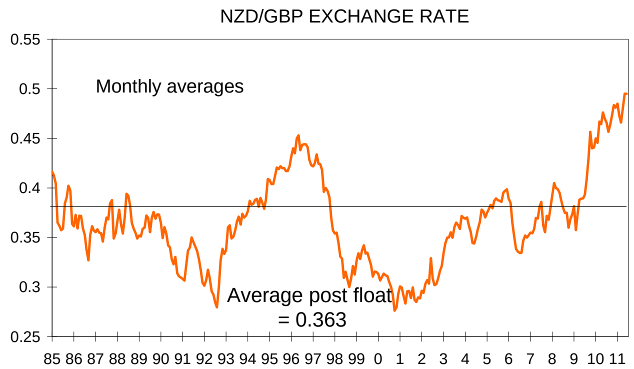
In other news regarding the UK economy we learnt of a small rise in consumer sentiment in the monthly Nationwide survey to a reading of 55 from 44 in April. This was the firmest reading in seven months but was probably biased upward by the Royal wedding, its associated holidays, and good weather. With 100 being neutral the result suggests still very weak retail spending in the near future.





Data also appeared showing inflation at 4.5% in May. The rate is expected to pull back below 3% later this year when the VAT increase eases out of the annual calculation.





Exchange Rate Assumptions

The following table contains year end assumptions for exchange rates in 2011 and 2012. It also contains a column beside each rate for each year indicating where the risk lies – that the outcome will be higher than shown or lower.

	2010	2011	Risk	2012	Risk
Year end					
NZD/USD	0.73	0.75	Higher++	0.79	
NZD/AUD	0.74	0.77	Lower	0.86	
NZD/YEN	64.2	66		67.9	Lower
NZD/GBP	0.44	0.45	Higher	0.46	Lower
NZD/EUR	0.51	0.51	Higher	0.57	Lower
USD/JPY	88	88.0	Lower	85.9	Lower
GBP/USD	1.66	1.67		1.72	Higher
EUR/USD	1.43	1.47		1.39	Higher
AUD/USD	0.99	0.97	Higher++	0.92	Higher+

ECONOMIC DATA

All %		Latest qtr only	Previous qtr only	Latest year	Year ago	2 Yrs ago
Inflation	RBNZ target is 1% - 3% on average	0.8%	2.3	4.5	2.0	3.0
GDP growth	Average past 10 years = 2.6%	0.2	-0.2	+1.5	-2.1	-0.2
Unemployment rate	Average past 10 years = 4.8%	6.6	6.7	......	6.1	5.2
Jobs growth	Average past 10 years = 1.9%	1.4	-0/4	1.8	-0.1	0.6
Current a/c deficit	Average past 10 years = 5.5% of GDP	2.3	2.2	......	2.8	8.8
Terms of Trade		0.9	0.8	6.8	0.1	-5.0
Wages Growth	Stats NZ analytical series	0.6	1.0	3.6	2.5	5.2
Retail Sales ex-auto	Average past 9 years = 3.9%.	0.0	0.0	0.6	2.2	-3.7
House Prices	REINZ Stratified Index	-0.7	-0.5	-0.7	5.5	-7.2
Net migration gain	Av. gain past 10 years = 13,900	+5,508	8,689yr	......	19,954	9,176
Tourism – an. av grth	10 year average growth = 3.2%. Stats NZ	0.9	2.5	0.9	3.1	-2.7
		Latest year rate	Prev mth year rate	6 mths ago	Year ago	2 yrs ago
Business confidence	BNZ survey	57	42	18	26	18
Consumer confidence	ANZ-Roy Morgan 100=neutral	103	101	115	126	106
Household debt	10 year average growth = 10.3%. RBNZ	1.2	1.5	2.3	2.9	2.8
Dwelling sales	10 year average growth = 2.5%. REINZ	10.8	-4.2	-15.2	-17.2	43.9
Floating Mort. Rate	(TotalMoney) 10 year average = 7.9%*	5.59	6.09	6.09	5.59	6.49
3 yr fixed hsg rate	10 year average = 7.8%	6.99	7.15	7.15	7.95	5.99

All actual data excluding interest & exchange rates sourced from Statistics NZ.
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Key Forecasts

Dec. year		2010	2011	2012	2013
GDP	annual average chg	1.4	1.0 – 1.5	3.5 - 4.0	4.0 - 4.5
CPI	on year ago	4.0	3.0 – 3.5	2.5 – 3.0	2.5 – 3.0
Official Cash rate	end year	3.0	2.5 - 2.75	4.0 – 5.0	4.0 - 5.0
Employment	on year ago	1.3	2.0 – 2.5	2.0 – 2.5	2.0 - 2.5
Unemployment Rate	end year	6.8	6.0 - 6.5	5.0 - 5.5	<5.0

*extrapolated back in time as TotalMoney started in 2007