BNZ Weekly Overview

25 August 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.

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 please click here.
http://feedback.bnz.co.nz/forms/Fx-I8ploskSGWgjN_7WOAw
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Nothing Much New

This week we have not learnt all that much fresh about the state of the NZ economy and most attention remains on events overseas. Sharemarkets have again gone down then up during the week and at the end of it all the Dow Jones Industrial Index in the United States is still only just below where it was before Standard and Poors cut their US credit rating on August 5. The underlying concerns remain however.

- The US economy is performing worse than expected.
- The US deficit is large and worrying to investors.
- The US political process has proved not up to handling the task of reducing the deficit in a professional manner.
- The European debt crisis continues as ever with another surge of concern always just around the next corner.
- The ability of central banks and governments to react to a new crisis is heavily constrained by the need to tighten fiscal policy, the already low level of interest rates, and the proven uselessness of printing money as a tool for stimulating activity when people are unwilling to raise debt levels.

It is virtually guaranteed that these factors will generate more periods of turbulence over the next 2 – 3 years as we have just seen. But through it all, thankfully, there are some specific factors which will tend to underpin growth in the New Zealand economy. These include the feed-through of higher farm incomes into spending, rebuilding Christchurch, catch-up spending on consumer goods, business inventories and capital spending, recovery in house construction from a four decade low, shifting of some Australian manufacturing to our shores, and good growth in the Australian economy – or at least parts of it.

The outlook implies that it remains reasonable to expect rises in NZ interest rates, the NZ dollar, and wages with this latter rise to be boosted by sustained upside risks to inflation and what we think will be a rapidly tightening labour market.

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

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

This week we look at some of the ructions offshore.

Real Estate Overview http://tonyalexander.co.nz/topics/regular-publications/real-estate-overview/

We examine recent data on the housing market and conclude that listings shortages appear to be strengthening with many first home buyers but not generally investors appearing in the market.

Other Website Material

- **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 Residential 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

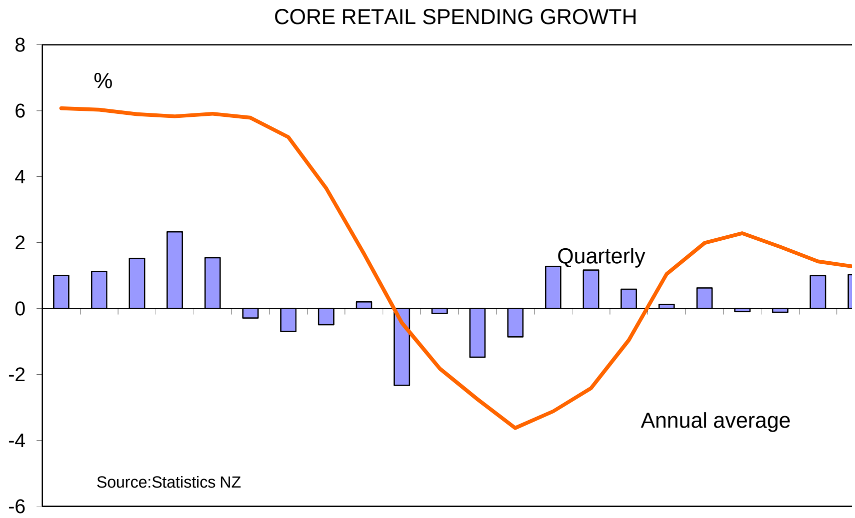
Is Our Economy Getting Better or Worse?

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

It is getting better but we struggle still to see enough positive signs to say that the rate of growth is accelerating. But there is growth.

Are householders opening their wallets more?

The clear statistical evidence is yes but there may be a caveat. During the June quarter seasonally adjusted nominal spending grew by 1.4% after stripping out the volatile automotive related sectors and by 1% if we further adjust for price changes. This core 1% rise is a firm result which matches the March quarter gain and shows that consumers have not completely gone into their shells. In fact the first half of the year showed the best six month period of growth since the middle of 2009 when the sigh of relief factor spurred increased household spending.

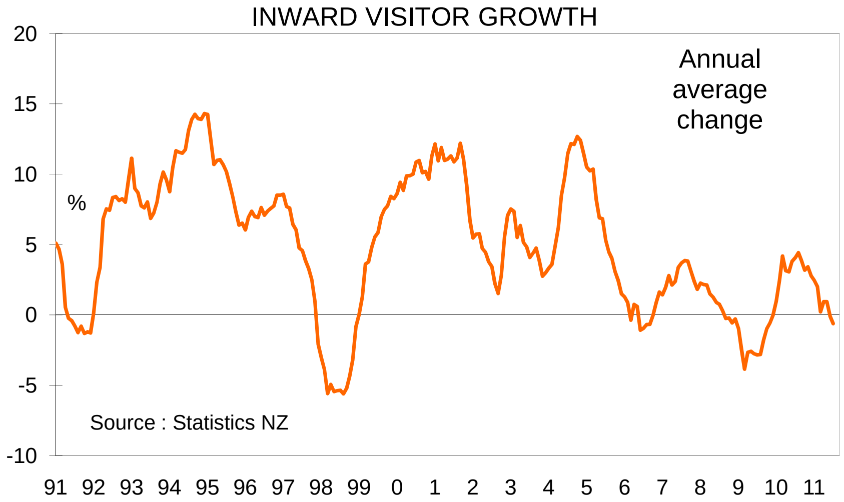


The caveat is that we think a lot of the spending may have been driven by hefty discounting and world cup watching preparations causing a 10% surge in the volume of sales of electrical and electronic goods following 5.9% growth in the March quarter. These are not normal growth rates and it is possible that people have brought planned future spending into the present to take advantage of price cuts and that implies weakness in such spending going forward.

Excluding electrical goods the quarterly result was however still a rise of 0.5% in real seasonally adjusted terms following a 0.7% gain during the March quarter. So there is growth in consumer spending underway but it may not be quite the 4% annualised volume pace or near 7.5% nominal.

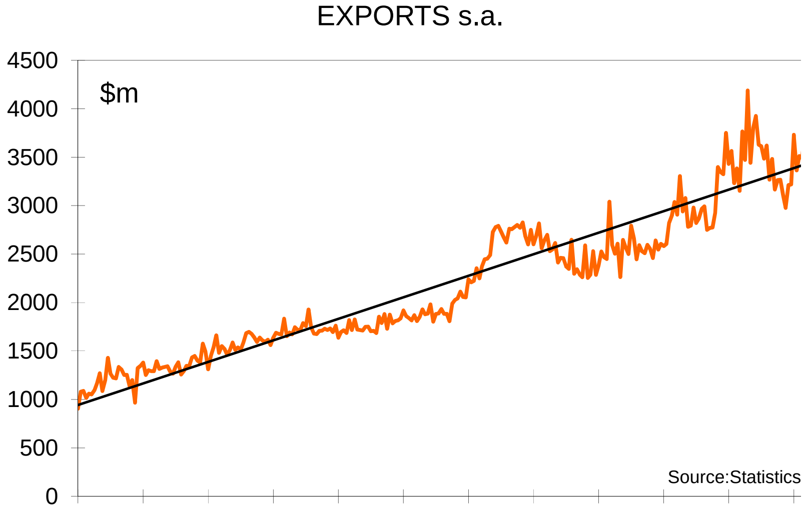
Is business output rising?

In July there was a seasonally adjusted rise in visitor numbers to New Zealand of 2%. However this followed a 4.4% fall in June and means that over the three months to July visitor numbers were down 0.5% after falling 5.6% in the three months to April.



The tourism sector is in recession and while the Rugby World Cup will cover up this fact for a while we expect reality to hit back in come November with a weak Summer period in prospect for most due to the high NZD and economic wobbles offshore deterring people from coming our way.

With regard to merchandise (physical) exports the picture is better though with a quirk. In seasonally adjusted terms exports rose by a firm 2.4% in July after rising 1% in June, but they were down 1.9% for the three months to July. This decline followed a 7.2% rise in the three months to April. This change from +7% to -2% is not a sign that export growth has stalled but simply a reflection of weirdness in April when exports of milk powder and some other dairy products soared then fell back to more normal levels in May. The April seasonally adjusted change in all exports was a rise of 8.8% and the May change was a fall of 8.4%.



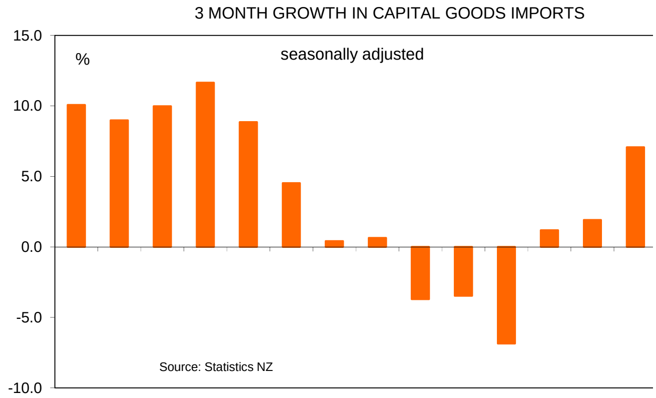
The trend matters and that is upward.

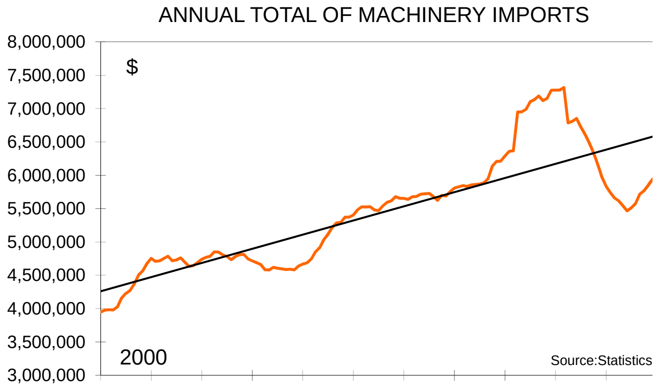
Are businesses hiring more people?
To view our latest monthly NZ Labour Market report click here. http://tonyalexander.co.nz/nz-labour-market/

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/

The value of capital goods imports into New Zealand in July was ahead in seasonally adjusted terms by 2.5% from June, up 7.1% in the three month period, and up 9.2% from a year ago for the three months – or by 14.4% after adjusting for exchange rate changes. There is evidence that capital spending is increasing and that is a good thing. But the second graph shows that the level of such imports is still well below trend.





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?

Not really. We have seen some growth in retail spending recorded over the June quarter, evidence of some improvement in imports of capital equipment, and acceptable though not improving underlying growth in merchandise exports. We have not received any new information on available capacity in the economy for a while.

Other Inflation Influencers

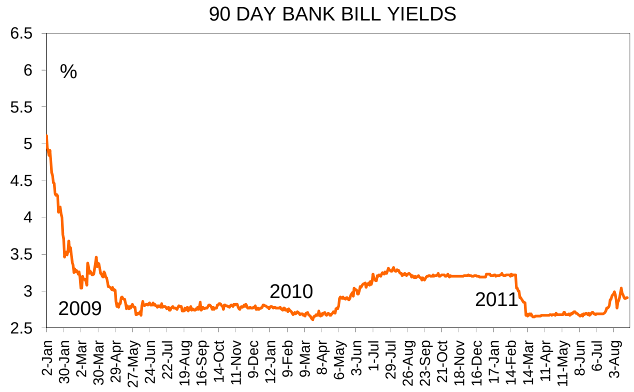
The Reserve Bank's quarterly Survey of Expectations revealed that respondents expect inflation to still be relatively high at 2.9% in two years time. This result is down from 3% in the June quarter but suggestive of businesses not expecting the RB to get inflation anywhere near the mid-point of their target band. Not that they do very often anyway and we advise again that if you are thinking of contracts tied to CPI rises then don't use 2% - the mid-point of the 1% - 3% target band – but instead use 2.5%. The RB clearly does not target 2% and by achieving average inflation of 3% in the past four years and 2.5% over the past two ten year periods their contribution to economic efficiency is less than the target range implies.

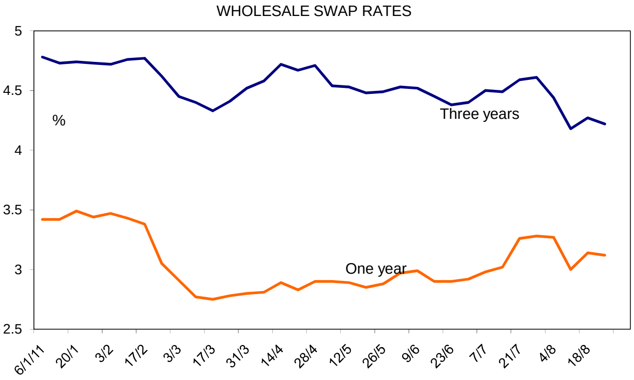
Note also that the Survey of Expectations is not all that important an indicator as only 120 people are surveyed and only 67 replied in the latest survey. But it is something the Reserve Bank takes into account when considering policy settings and in that regard it keeps them in a tightening frame of mind.

Speaking of which, the food price index this morning was announced as having risen 2% during July to lie a strong 7.9% up from a year ago. This is obviously something which will contribute to a high overall inflation number for the September quarter. But one must not forget that with the labour market still more loose than tight the ability of people in the short term to gain recompense through higher wages will still be limited and the 7.9% annual food cost rise will effectively act as a tax on the economy and a source of restraint on household spending in non-food areas.

Rate Movements This Week

Medium to long term borrowing costs (swap rates) and bank bill yields have edged down slightly this week. The general expectation is that the Reserve Bank will tighten monetary policy before the end of the year but it is likely that over the next few months we will again see fluctuations in common expectations for the timing of the tightening as worries about the world economy wax and wane.

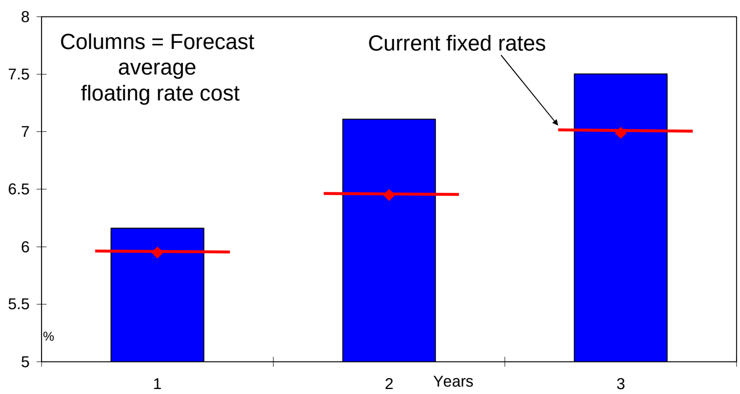


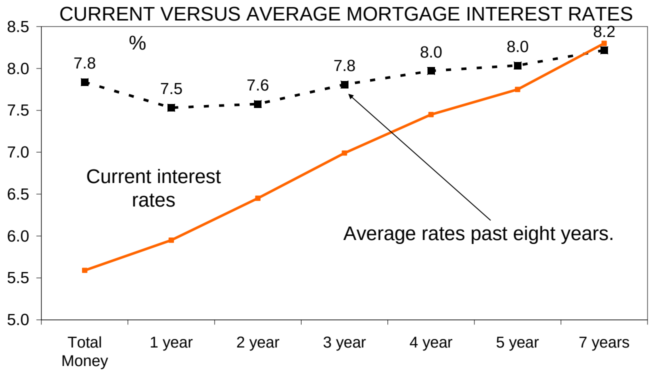


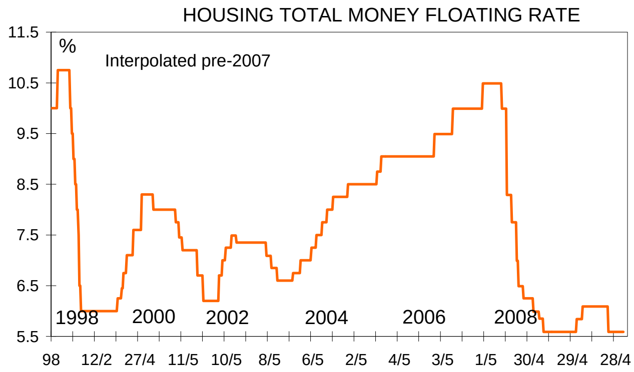
FINANCIAL MARKETS DATA	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	2.50%	2.50	2.50	2.50	3.00	5.9
90-day bank bill	2.95%	2.95	2.69	2.68	3.21	6.2
1 year swap	3.12%	3.14	3.28	2.88	3.52	6.0
3 year swap	3.68%	3.73	4.07	3.85	3.96	6.2
5 year swap	4.22%	4.27	4.61	4.49	4.25	6.4
180-day term depo	4.30%	4.30	4.50	3.60	4.90	6.0
Five year term depo	6.00%	6.00	6.00	6.00	6.75	6.5

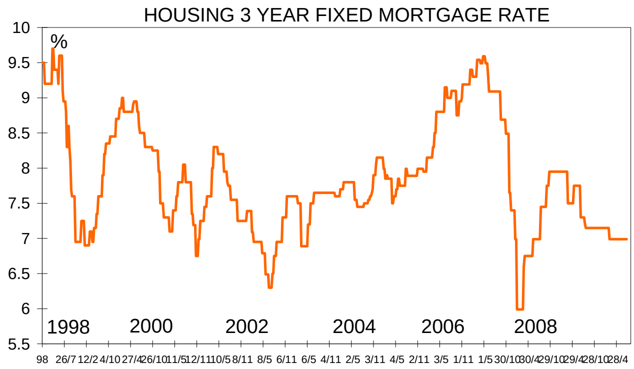
If I Were a Borrower What Would I Do?

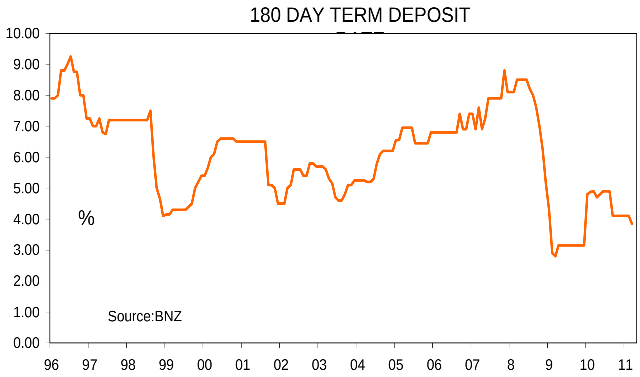
Stay floating for a bit longer, though if I were running a business I would take advantage of the current decline in swap rates to move some 20% - 40% of my core debt toward a three year fixed rate.




CURRENT VERSUS AVERAGE MORTGAGE INTEREST RATES
%
Current interest rates
Average rates past eight years.
7.8
7.5
7.6
7.8
8.0
8.0
8.2
Total Money
1 year
2 year
3 year
4 year
5 year
7 years


HOUSING TOTAL MONEY FLOATING RATE
%
Interpolated pre-2007
1998
2000
2002
2004
2006
2008


HOUSING 3 YEAR FIXED MORTGAGE RATE
%
1998
2000
2002
2004
2006
2008


180 DAY TERM DEPOSIT
%
Source:BNZ

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/

Central Bank Thoughts

For your guide, this week the Reserve Bank released their submission on housing affordability to the Productivity Commission which is undertaking the non-productive task of repeating the 2007-08 Commerce Select Committee investigation into housing affordability. Basically it's a passage of time exercise aimed at showing the government as doing something on the growing problem of housing affordability while not really doing anything because the answers to the problem are already now but the gumption to make the changes does not exist. http://www.rbnz.govt.nz/research/4497120.pdf

Specifically, to radically alter housing affordability in NZ one would need to take measures to boost competition in the construction materials market, prevent local authorities from lumping more and more levies onto developers, ease back on ever rising/costly building standards, and free up land. In the words of the RB

"…we would encourage the Commission to focus on ways to put in place a regulatory environment that (i) enhances productivity in the residential construction sector; (ii) supports land availability; and (iii) promotes a residential construction sector that is responsive to price signals."

The RB largely focus on supply constraints as causing high prices and in particular land supply and construction costs. They note that NZ houses tend to be built as one-offs rather than in bulk lots, and that construction methods lack innovation.

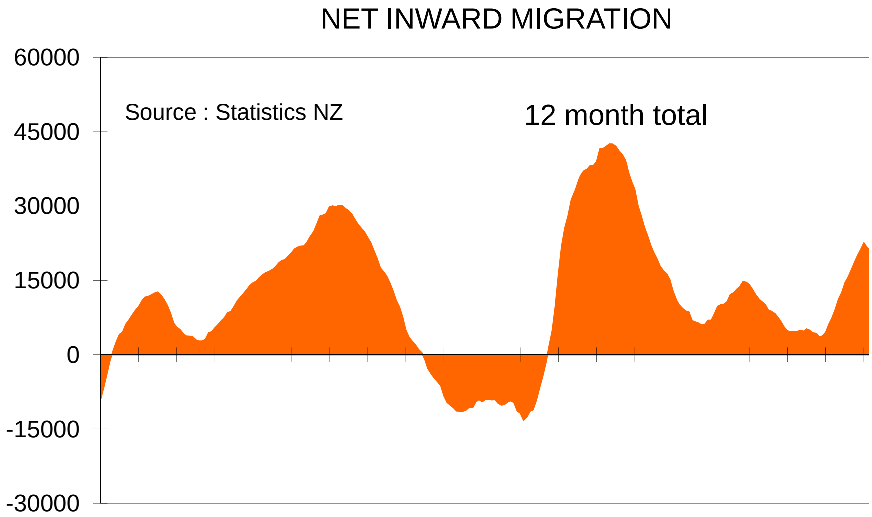
Supporting our belief that the existence or not of a capital gains tax does not alter housing fundamentals much they note "Our reading of the international literature suggests that the presence or absence of a capital gains tax is not a decisive factor explaining house price behaviour here or in other countries."

Population Growth Slowing

In July there was a seasonally adjusted population loss to NZ from permanent and long term migration flows of 220 people. This makes five months in a row of losses averaging almost 300 which is actually not all that bad considering the strong factors in play encouraging people to sod off. There are the earthquakes in Christchurch, the lower unemployment rate in Australia, and the low level of the NZD against the AUD. In addition people overseas are in some cases finding it hard to migrate to NZ as they cannot sell their house or they don't want to convert their pounds at a three decade high in the exchange rate.

The data mean that in the year to July the net migration gain was just 2,867 compared with 15,221 a year ago and an average gain for the past ten years of 16,000 per annum.

The migration numbers mean that there is some easing of the rate of population growth pressure on housing availability. But we don't expect this situation to last. Across the ditch the labour market appears to have stalled while ours is improving, their housing market is going backwards while ours is rising, and the NZD is more likely to recover than decline against the Aussie dollar over the coming year. We expect to see the annual net migration numbers getting better from mid-2012 at the latest and do not anticipate a repeat of the 1998 – 2001 experience.



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 underlying theme with regard to worries about the Euro-zone at the moment is that one factor which was permitting investors to give the benefit of the doubt to the various bailout schemes and fiscal retrenchment plans may be coming unstuck. Growth in the zone was 0.8% in the March quarter led by strong performances from France and Germany. But growth slowed to just 0.2% in the June quarter with France stagnating and Germany's economy rising just 0.2%. Maybe the bad results were just a pause. Or maybe they are the first signs that consumers in Europe may be reacting to the debt worries by pulling back on spending and accelerating their own debt reduction plans.

If the latter then growth projections by the deficit-attacking highly indebted countries like Greece and Portugal have little chance of being reached and investors will back away even further from their debt. Does this mean the only way to reduce their debt burdens will be for the ECB to effectively print money by buying more and more of their bonds? Some believe so and that would explain some of the strength in gold prices and the flow of funds into the Swiss franc. But there is little chance that the Germans, with their historical memory of the effects of hyperinflation, will allow such a mechanism to be utilised. Their desire for fiscal and economic rectitude remains as strong as ever and that is why the German Chancellor Angela Merkle is on safe domestic grounds when she strongly rejects calls for euro-bonds to be issued which would replace those issued by the heavily indebted countries.

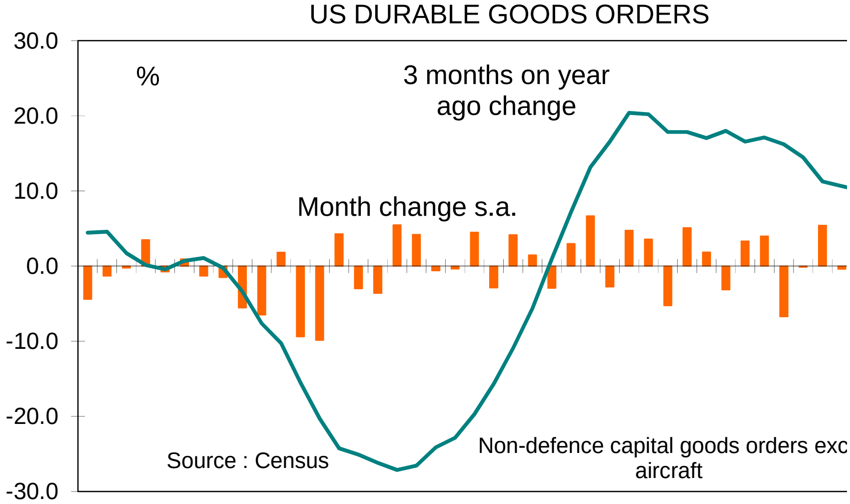
Chinese Inflation

In China this week there was a slightly better than expected piece of data released suggesting – like so many others – that the Chinese economy remains firm. The flash estimate of the HSBC Purchasing Managers Index came in at 49.8 in August from 49.3 in July.

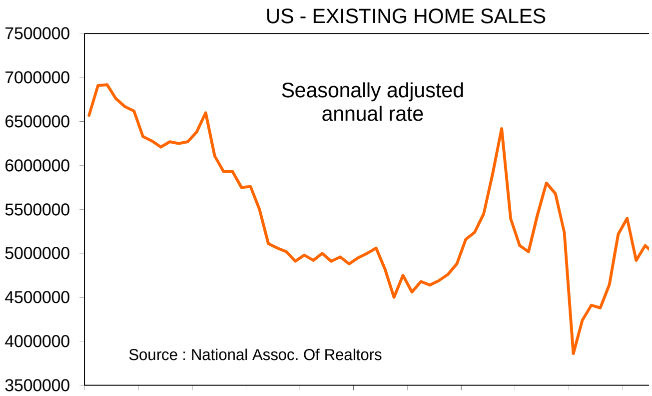
US Growth Momentum

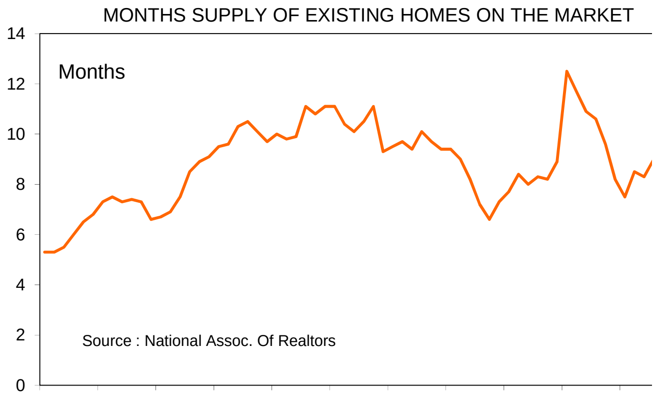
Whereas a few weeks ago most expectations had been for an annualised growth rate in the US economy over the second half of this year near 3%, now the common view is that growth will instead be near 1%. That leaves little margin to handle any new shocks, especially given the jaundiced eye many have on the US now following the credit rating cut, the period of negotiations over raising the debt limit, the lack of any clear growth strategy, the increasing chance of a change in President following next year's elections, and high chance that the committee looking at where to find over US$1tn in spending cuts for the next decade reaches no resolution and automatic cuts instead occur.

But this week, as far as the shocks go the main one was a small positive in the form of the monthly durable goods orders report coming in better than expected with a 4% rise recorded for July. This has boosted hopes that businesses may be using some of their spare cash to invest. However a better gauge of what is really happening comes by stripping out Defence and aircraft orders and doing that we get a fall in orders for the month of 1.5% and a rise of 3.3% for the three month period. The chart here shows growth in this measure tapering off.

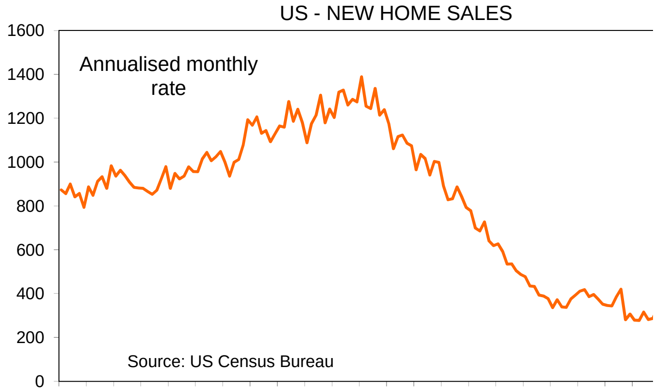


There was also weak news with respect to sales of existing homes in the US which fell 3.5% seasonally adjusted in July to an annualised level of 4.67mn which represented a 21% rise from a year earlier but a level which overall is still indicative of a weak level of activity. The stock of houses available for sale now sits at 9.4 months which is the highest since November last year.





The annualised rate of sales of new family homes fell 0.7% in July making three months in a row of falls taking sales to 6% down from their recent peak in April. However sales were still 6.8% up from a year ago so maybe things as measured by this indicator are rumbling along the bottom rather than heading further south.



Given the recent shocks in financial markets there is a very good chance that upcoming US economic data for August and September are weak. Attention for the moment however is on what the Federal Reserve Chairman Ben Bernanke will say following the annual meeting of central bankers at Jacksons Hole. There is an expectation that he will repeat his suggestion that if necessary more quantitative easing will be undertaken but few expect an easing as such to be announced.

Australian Growth

Things are getting quite interesting across the ditch at the moment and don't be surprised if the Aussie dollar falls a bit and the NZD jumps up against it by a few cents in the next few weeks. There are a number of things happening. First, while the mining and infrastructure sectors are of course booming and set to continue to do so as long as Chinese economic growth remain strong, the retailing, housing and manufacturing sectors are suffering badly.

This is explicitly what the RBA was aiming for by raising their cash rate a strong 1.75% between late-2009 and late-2010. They want to ensure that there are sufficient resources available to allow the booming sectors to grow without pushing inflation up sharply as has happened in previous commodity booms. The trouble is however that their understandable actions are happening at a time when the Labour Government is making things more difficult for the manufacturing sector in particular– principally in two ways.

First the government have toughened up labour legislation, lumping extra costs onto businesses and impeding productivity growth. Second, even with the Aussie economy having experienced no recession in 2008 or 2009 and growing at a pace near 3% the Federal government is still running deficits. That means they are not doing their part in restraining growth in the economy and that means more work is having to be done by interest rates and most importantly of all the exchange rate.

The high exchange rate matters little to the booming sectors and in fact helps infrastructure because of reduced costs for imported machinery. But it is badly affecting the manufacturing sector while encouraging more and more consumers to shop online rather than in local retailers. The manufacturing fallout has been seen in spades this week with BlueScope Steel announcing almost 1,000 job layoffs as they are scaling down their steel production. Other manufacturers are warning that far greater layoffs lie ahead.

The pain in the manufacturing sector is leading to a debate regarding whether the government will turn protectionist and therefore further worsen Australia's generally declining productivity performance. One would normally dismiss such talk as economic nonsense, but it is happening at the same time as the current Government could be on its last legs.

Julia Gillard's government has a one seat majority and is reliant upon the Greens for support. To keep the tree huggers onside she is pushing through the extremely unpopular carbon tax and in the process breaking the promise she made ahead of the last general election to not bring in such a tax. Support for her and for her government has plummeted. This week a collection of truck-led convoys from the Aussie heartland descended on the capital to express their opposition to the carbon tax, disgust with a ban imposed temporarily a few months ago on live cattle exports which risked the future of many beef raising units throughout the country, and a deal to allow 5,000 refugees in from Malaysia. And then there is the trigger.

One of the Labour MPs is alleged to have used the funds of a union he was managing some six years ago to pay for prostitutes. He has denied the allegations but according to analysts normally in Australia they would have been enough for the PM to sack him. But not this time as she cannot afford to. He is being strongly support by the PM and the party generally and had even apparently received special funding from NSW Labour to avoid going into bankruptcy and therefore becoming ineligible to sit in Parliament.

There is a good chance that he will resign in the near future and this could be the trigger for a new election which Labour would probably lose – to the extremely unpopular Tony Abbot.

Basically we should keep an eye out for protectionist whisperings from across the ditch in the near future while anticipating a new source of volatility and for a while weakness in the Aussie dollar as the political process ploughs on.

Oh, and watch for airport and flying chaos if you are heading across the ditch at some point in the next few weeks. Aussie unions are fairly bolshie and are currently up in arms about efforts by Qantas to reinvigorate itself with the creation of two new subsidiary carriers and shedding of about 1,000 jobs. Industrial action is likely very soon so expect flight delays and cancellations as either the pilots, ground crew, engineers or flight crew go on strike.

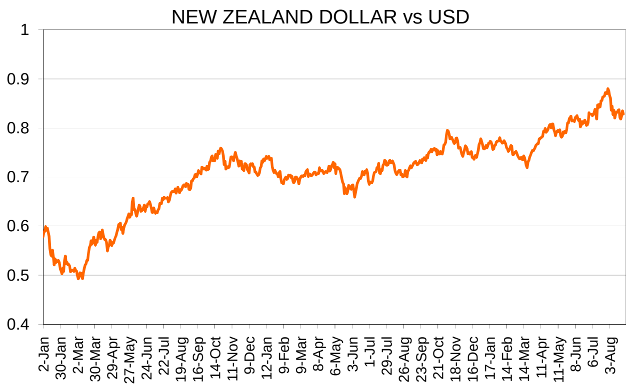
Exchange Rates

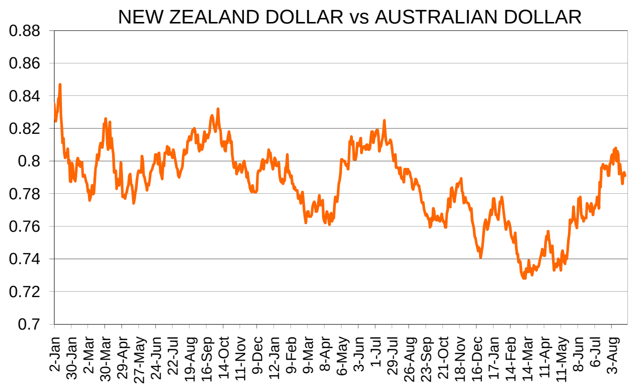
Exchange Rates	This Week	Week Ago	4 wks ago	mths ago	Yr ago	Consensus Frcsts yr ago*	10 yr average
NZD/USD	0.828	0.837	0.864	0.797	0.7	0.689	0.629
NZD/AUD	0.791	0.793	0.797	0.755	0.795	0.773	0.855
NZD/JPY	63.700	64.000	67.600	65.300	58.9	67.7	68.4
NZD/GBP	0.505	0.506	0.529	0.492	0.455	0.448	0.368
NZD/EUR	0.574	0.579	0.600	0.565	0.555	0.52	0.511
NZDCNY	5.290	5.346	5.570	5.175	4.758		4.83
USD/JPY	76.932	76.464	78.241	81.932	84.143	98.3	109.9
USD/GBP	1.640	1.654	1.633	1.620	1.538	1.54	1.705
USD/EUR	1.443	1.446	1.440	1.411	1.261	1.33	1.229
AUD/USD	1.05	1.06	1.08	1.06	0.88	0.891	0.737

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

Kiwi Down. Up, Down

The Kiwi dollar was trading above US83.5 cents at the time the WO was sent out last week. But it then fell away down near 82 cents as sharemarkets tanked on Thursday night as another bout of the heeby geebies went through. It then recovered to above 83.5 cents driven by a number of factors including the following.





- The better than expected Chinese manufacturing indicator for August raising faith in the Asian part of the planet being able to continue to grow and support commodity driven currencies like the Aussie and Kiwi dollars.
- The two year ahead inflation expectation in the RBNZ's quarterly Survey of Expectations holding high at 2.9% from 3% in the June quarter survey. This result reinforces expectations that NZ monetary policy will need to be tightened soon.

But yesterday, with Asian sharemarkets weakening the NZD edged lower again and this evening just before pushing the send button it was just below 83 cents. Goodness knows where it and markets will be by the time you open this document to read it. Our strong expectation is that volatility in the NZD will continue but that the trend is going to be broadly upward over the next year or so on the back of tightening monetary policy, firm commodity prices, and an assumption that things will settle down with regard to the government indebtedness worries in Europe and the US. But there is a near 100% chance that worries will erupt many times again regarding debt and when this happens NZ exporters will receive some better levels for buying NZDs.

On the crosses the NZD is not much changed from a week ago and the major exchange rates are not that different either. There remains strong upward pressure on the Japanese yen as investors seek reduced exposure to the Euro, the Pound and sometimes the greenback. This in spite of Moodys cutting their Japan credit rating from Aa2 to Aa3. The Japanese government has already responded to the upward yen pressure by selling their currency – but with an inability to back the move up with interest rate cuts and other central banks not joining in the move has produced no sustained result. So now the Japanese government is implementing other policies aimed at boosting demand for foreign currencies from Yen including encouragement to Japanese companies to invest offshore.

The Yen is also rising in spite of the economy shrinking for three quarters in a row though by less than expected in the June quarter where activity was heavily impacted by the March 10 earthquake, Tsunami, and nuclear power plant breakdown.

Looking ahead the very strong focus in FX markets at the moment is the annual meeting of central bankers at Jackson Hole in the United States at which the Fed. Chairman is expected to make some comments with regard to how the Fed. May further assist recovery of the US economy. If he indicates that QE3 is likely the anticipated extra expansion of the US money supply will place downward pressure on the USD thus naturally causing the NZD/USD exchange rate to rise. But at the same time there will likely be an extra rise in the NZD generally on upwardly revised expectations for US and therefore global growth and a reduction in risk intolerance.

The trouble here though is that money printing has clearly not produced sustained US growth therefore a third round is unlikely to have much positive impact.

United Kingdom

Nothing to write this week sorry.

Exchange Rate Assumptions

"…you've got to ask yourself one question. Do I feel lucky? Well, do ya, punk?""

	2010	2011	Risk	2012	Risk
Year end					
NZD/USD	0.73	0.80	Higher++	0.81	Higher+
NZD/AUD	0.74	0.78	Higher	0.86	
NZD/YEN	64.2	69		70.0	Higher
NZD/GBP	0.44	0.49	Higher+	0.50	Higher
NZD/EUR	0.51	0.55	Higher	0.58	Higher
USD/JPY	88	86	Lower	86	Lower
GBP/USD	1.66	1.63		1.62	Higher
EUR/USD	1.43	1.45	Higher	1.40	Higher
AUD/USD	0.99	1.03	Higher+	0.94	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	1.0%	0.8	5.3	1.7	1.9
GDP growth	Average past 10 years = 2.6%	0.8	0.5	+1.5	-0.7	-1.5
Unemployment rate	Average past 10 years = 4.8%	6.5	6.5	......	6.9	6.0
Jobs growth	Average past 10 years = 1.9%	0.0	1.3	2.0	0.0	-0.8
Current a/c deficit	Average past 10 years = 5.5% of GDP	4.3	4.1	......	2.4	8.0
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%.	0.7	0.0	1.4	1.0	-3.6
House Prices	REINZ Stratified Index	-0.2	1.1	-0.1	2.8	-0.9
Net migration gain	Av. gain past 10 years = 13,900	+3,867	6,554yr	......	16,504	12,515
Tourism – an. av grth	10 year average growth = 3.2%. Stats NZ	-0.1	0.2	-0.1	3.8	-2.8
		Latest year rate	Prev mth year rate	6 mths ago	Year ago	2 yrs ago
Business confidence	BNZ survey	22	45	-21	-1	42
Consumer confidence	ANZ-Roy Morgan 100=neutral	113	109	108	116	112
Household debt	10 year average growth = 10.3%. RBNZ	1.2	1.2	1.6	2.6	2.6
Dwelling sales	10 year average growth = 2.5%. REINZ	11.7	14.3	-11.3	-26.7	34.0
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	2.0 – 2.5	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	3.0 – 3.5	4.5 – 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