BNZ Weekly Overview

6 October 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
To change your address or unsubscribe please click the link at the bottom of your email.

Monthly Survey Time

This is the first Thursday or the month so we are running our monthly BNZ Confidence Survey. If you have not already done so using the link in the covering email send out please feel free to click on the link here and let us know whether you believe the economy will be better or worse in a year's time. More importantly, please let us know in a sentence how things are in your industry at the moment specifying what that industry is. Many thanks to those who have responded in the past.

http://survey.usuite.com/survey/7f801dd05f3742619b046cc119c15106.sur

This week we have seen further deterioration in the situation offshore as described in the relevant section below. A bank has had to be bailed out in Belgium, Greece have confirmed they won't meet their deficit targets, Portugal revealed debt not previously acknowledged, and worries about an untidy end game to the debt crisis have grown. So sharemarkets have weakened and risky currencies like the NZD have fallen.

Locally we have seen a couple of business surveys released implying mild growth in the economy. But they are out of date and we await more up to date information. We've received data showing house building in NZ likely to be improving soon, but a further indicator of weakness in household spending. Our view for some time has been that the risks facing us are largely on the downside and nothing has happened recently to change that. On top of the European debt crisis we have what appears to be a stalled European economy, possible renewed recession in the United States, China frankly hoping for slow growth so socially divisive inflation can be brought down, and worrying weakness in many activity indicators in Australia.

While the fact that our currency has fallen while dairy prices have held up quite strongly is a good sign, one would be unwise to assume that this dynamic will continue. It is true that demand out of China will be strong in coming years. But this was also true over 2008-09 when prices slumped dramatically and a fall in the NZD of 30 cents did not prevent the milk payout from dropping to just $5.20 from $7.90.

For your guide, in two weeks time I shall be back in London for a series of talks and attending conferences before giving addresses in Osaka then Beijing. If you are in London and wish to listen to an update on the state of the NZ economy, a bit about Australia, plus how deepening woe up your way will affect us down here in the sunshine, the best option may be the KEA function. Follow the link here for November 2, 7.00am.

http://tonyalexander2.eventbrite.com/

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

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

Same again – the badness offshore.

Other Website Material

- **Weekly syndicated newspaper column** http://tonyalexander.co.nz/newspaper-column/
- **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?

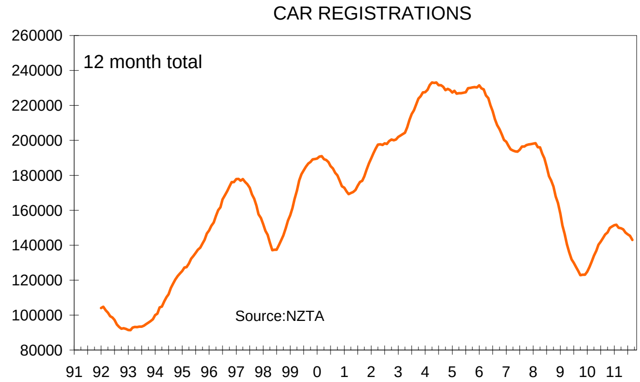
In this section we look only at what the data are actually telling us and pay no attention to forecasts or intentions measures.

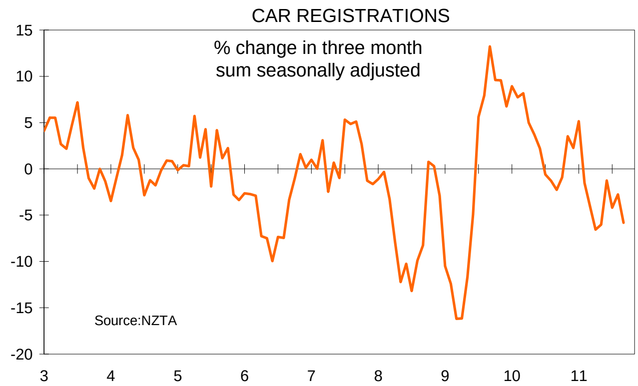
The picture is not a strong one with perhaps flat consumer spending, seemingly flattening business investment, falling goods exports, and a suggestion that jobs growth is slowing. Basically, heading into what may be a new global weak period our economy may already have almost stalled with growth of only 0.1% achieved during the June quarter.

- Private consumption growth looks weak as the latest data tell us retail spending fell 1% in August after just a 0.3% rise in July so maybe there is some weakness. Car regos are also falling at what seems to be an accelerating pace.
- Business investment looks mixed to positive with plant and machinery imports up 6% with growth slowing recently but commercial vehicle regos rising slightly and falling commercial building.
- Goods exports have fallen 2% s.a. recently but tourist numbers have soared over July and August.
- Housing indicators are firming in terms of turnover and consents.

Are householders opening their wallets more?

The number of cars registered in September fell from a year ago by 12.2% and if we look at the whole September quarter then in rough seasonally adjusted terms regos were down near 6% from the June quarter. Spending on cars is falling away again.





Is business output rising?

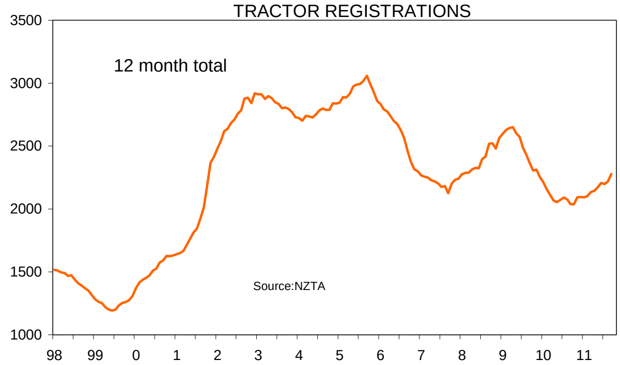
No fresh data

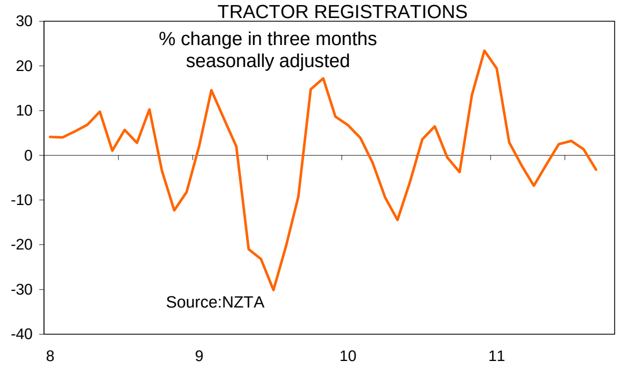
Are businesses hiring more people?

No fresh data

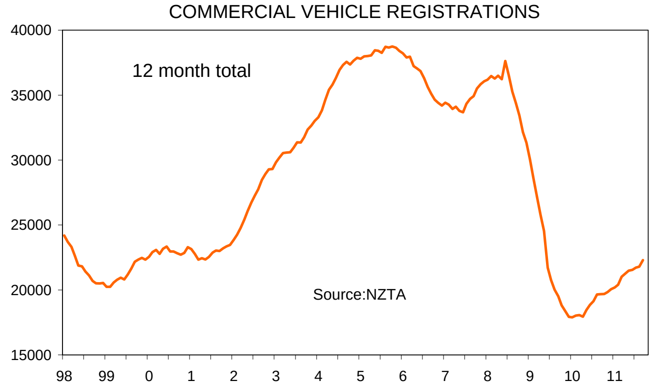
Are businesses boosting their capital spending?
To see how businesses are feeling right now one can read our monthly BNZ Confidence Survey here. http://tonyalexander.co.nz/bnz-confidence-survey/

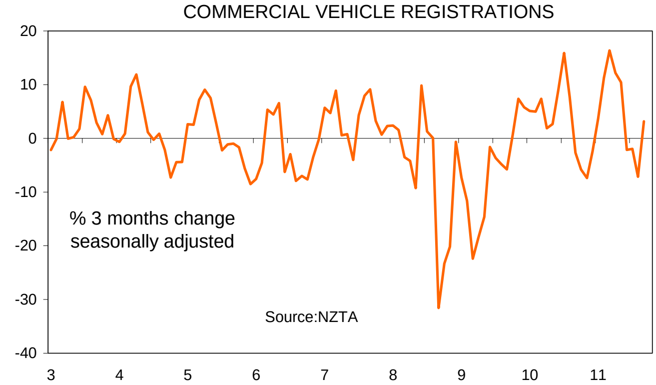
In September there were 288 tractors registered around New Zealand representing a firm 26% rise from a year earlier but a small 3% s.a. fall for the September quarter compared with the June quarter. Some of the earlier strength in this area of farmer spending has ebbed away.





There was also a very strong jump in registrations of commercial vehicles in September when compared with a year earlier of 32% and that means that for the September quarter regos were slightly ahead about 3% s.a. from the June quarter. Maybe a bit of strength is returning. In fact the first graph shows that a reasonably firm upward trend has been established – which is also the case by and large for tractors.





What Do The Leading Indicators Say?

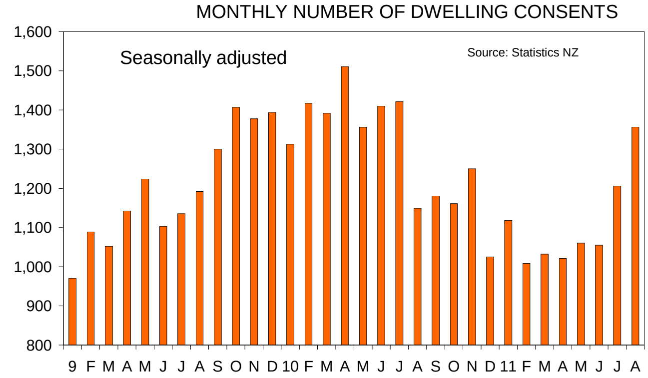
In this section we look only at the factors which can at times give insight into where the economy is headed. Generally we will only cover newly released information.

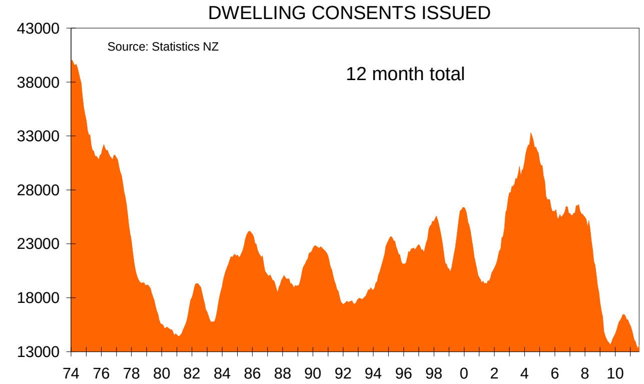
Be careful here. You will be reading the results of surveys which reflect the situation of a few weeks ago. These surveys will not yet have captured the deterioration in the world outlook and the many expressions of concern about where things are going by senior people. They won't yet have captured forecasts of potentially large commodity price falls. Plus it pays to remember our view that a disconnect has opened up between the levels many surveys sit at and traditional implied growth rates in investment, employment and the economy. We think there has been a shift down in the growth spurt for instance which a confidence lift might imply. We have been finding for many months now businesses saying they are confident, but even after signing off on loans documentation are not confident enough to draw down the funds and buy new machinery. In the past they were confident enough to back their sentiment with action. Not now.

And it gets worse than that I am sorry. That is because there is a very good chance that as everyone is so focussed on the rugby they will not have noticed that Europe is spiralling downward and the US economy may have stalled. So even our monthly survey sent out with this report is likely to produce an upwardly biased outcome. Still, having said all of that worrying stuff (legitimately so we feel), lets start with something positive. To whit…

House Building Prospects Improving

The best leading indicator for dwelling construction is dwelling sales – which have been rising in recent months – with the official leading indicator for construction as it were being the number of construction consents issued. In August there was a seasonally adjusted rise in consents of 12.5% and in the three months to August there was a firm gain of 16.2%. House construction is starting its firm upward leg and this growth will continue through 2012 as the rebuilding of Christchurch kicks off in earnest.

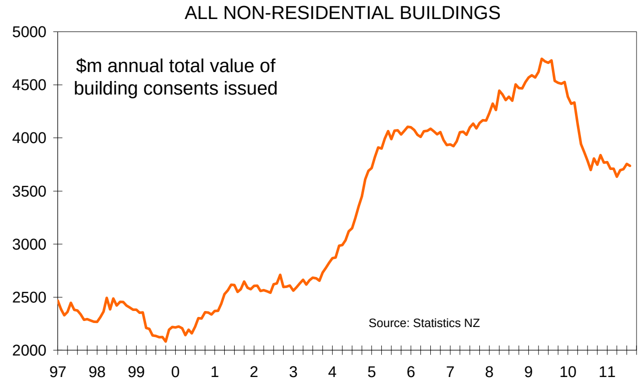


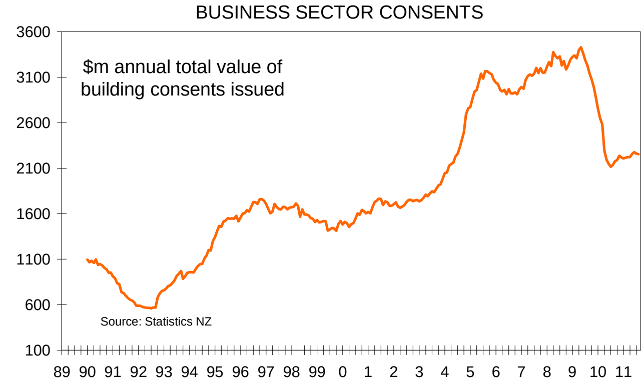


House construction usually makes up about 5% of economic activity in New Zealand and it tends to have a strong multiplier effect with many sectors joining in from land development to utilities, building materials, transport, financial services, household furnishings and so on. Therefore the growth we are seeing and will see is going to make a healthy contribution to our expected near 3.5% growth in the NZ economy over 2012 with a lot of this stimulus to happen regardless of what occurs in Europe and the United States simply because of the earthquake effect. But note the fall in Auckland dwelling sales registered in monthly data discussed in our Housing section.

Commercial Construction Flattish

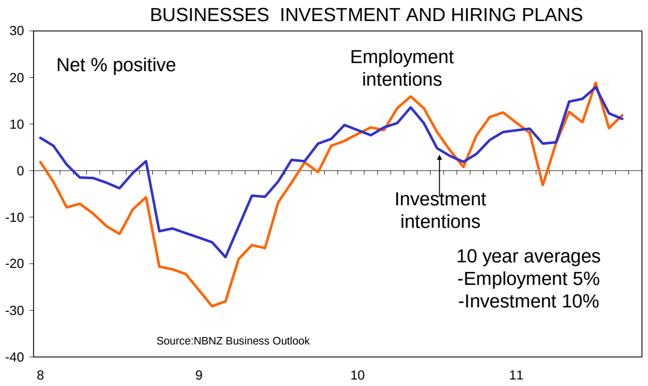
The value of consents issued for the construction of non-residential buildings was down 6% from a year earlier in August at $277mn. But these numbers are very lumpy and it is best to compare a six month total with a year earlier. Doing that we find an inconsequential rise in consent values of 1.4% which actually represents a small volume decline when one takes into account cost increases. But if we strip out the public sector as best we can the change improves to 3.7% from a year ago. This is still very small and best interpreted as activity holding flat in the near future. Over the June quarter non-residential construction was down 4% from a year earlier.

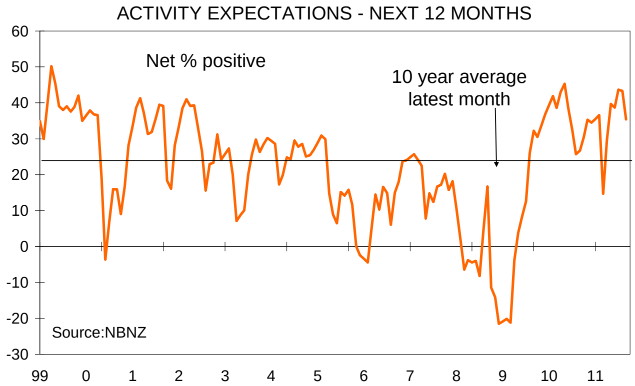




Business Sentiment Eases Slightly

The monthly NBNZ Business Outlook survey, taken at around the same time as our monthly survey of four weeks ago, unsurprisingly revealed a small fall in business confidence about the economy in a year's time to a net 30% positive from a net 34% in August. This is only a small drop, but on average confidence usually rises 4% in September so the decline is actually more than it seems. However, the true test in this survey is what businesses say they intend doing about whatever confidence they have. Four weeks ago a net 12% of them were saying they intend hiring more people. This was a rise from 9% in August and is a result above the 5% average and therefore supportive of a view that employment will grow reasonably well.

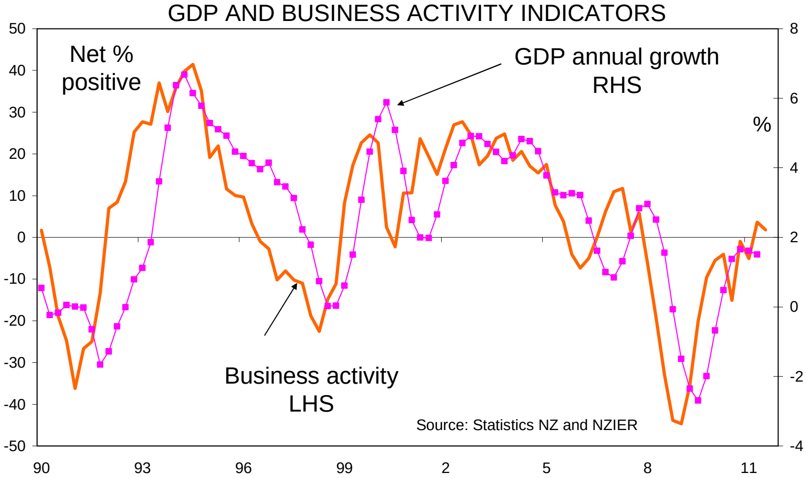




In addition a net 11% said they plan investing more compared with 12% in August and an average 10%. So it seems reasonable to expect higher levels of capital spending. But the survey was done before recent ructions offshore and we would take the results with the same grain of salt we would now clearly take the results of our own survey of four weeks ago.

Another Survey Okay

Speaking of a grain of salt, that is unfortunately what one needs to take also with the NZIER's Quarterly Survey of Business Opinion. This is an excellent survey but it is now out of date in light of what has been happening recently. Still, for the record, the net percent of businesses reporting that their domestic trading activity went up during the September quarter eased to 2% from 4% in the June quarter. Given that the economy only grew 0.1% n that June quarter the result bespeaks of the September quarter also being quite weak. But a net 20% expect higher activity in the current quarter whereas in the March quarter only 5% said they expected higher activity and this jumped to 20% in the June quarter. So this challenges the notion that the September quarter was in fact weak.



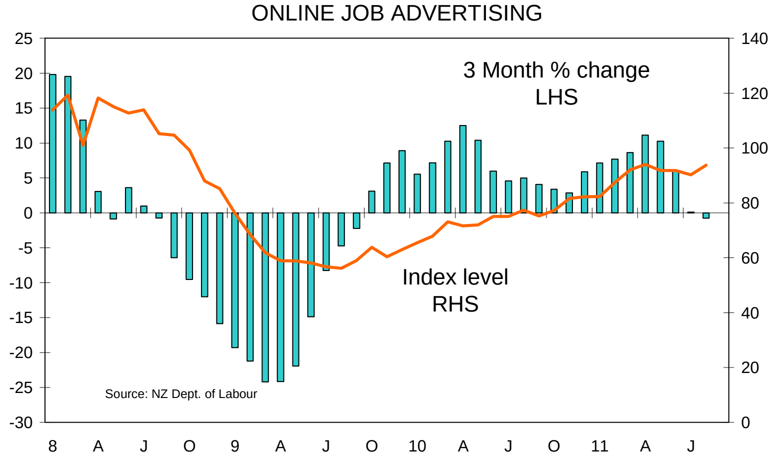
The lesson here is that one must not blindly translate such sentiment-based activity measures into actual economic outcomes. The results are at least reasonable in the recent scheme of things. Note the graph above showing the long term relationship between the aforementioned activity expectations measure and actual economic growth. The low net 2% reading implies weak economic growth continuing near 1.5% - 2%. Whoopdee do.

A net 4% of businesses said they plan hiring more people which is down from 7% in the June quarter survey and below the net 8% long term average. This then runs counter to the increasingly positive sentiment regarding hiring in the NBNZ survey and leaves us cautious about short term jobs growth when one considers the near flat trend in skilled job advertising noted below.

A net 6% of businesses said in the NZIER survey that they plan boosting capital spending. This was down from 9% in the June quarter but above the 1% average suggesting some investment growth will occur.

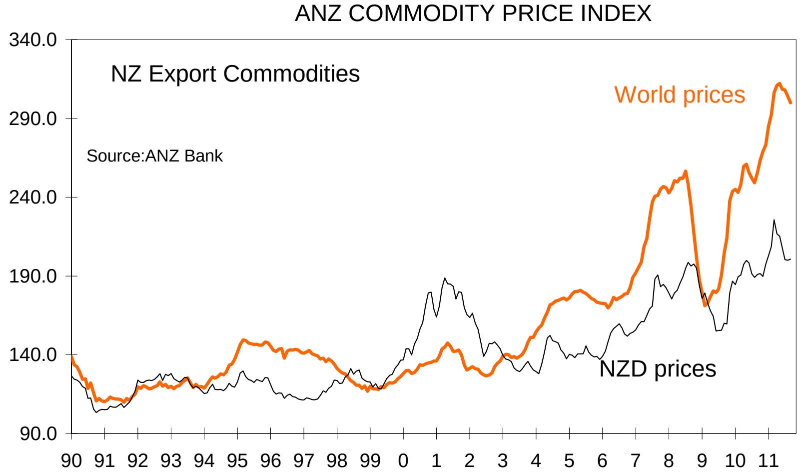
Employment Outlook Cautious

The Jobs Online report prepared by the Department of Labour from job ads on the Seek and Trade Me web sites showed a seasonally adjusted rise in skilled job ads in August of 3.5%. This sounds strong. However these numbers get revised a lot and in July job ads fell 1.6% after sitting flat in June. That means that over the three months to August skilled job vacancies fell by 0.8% after rising 10.2% three months earlier. It is looking like growth in job advertising may have stalled and this bears watching.



Commodity Prices Falling

The ANZ Commodity Price Index in world price terms fell for the fourth month in a row in September recording a 1.3% decline. But all up prices have only retreated 4% since their peak four months ago and in NZ dollar terms the small 0.4% gain in the month means prices are near 7% down from four months ago. The trend in prices is clearly downward but so far the extent of declines is minor. History however tells us that when big moves happen the movement in the NZD is less than the percentage movement in prices and the return therefore to NZ primary producers does change sometimes substantially. For instance from mid-2008 to mid-2009 adjusting for a fall in the NZD the 35% fall in world price terms still turned into over a 20% fall in NZD terms.



The downward trend is likely to inject caution into farmer spending plans and broader forecasts for growth in our economy next year.

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 March. Have we learnt anything this week which alters this outlook?

The chances of monetary policy being tightened anytime soon by our central bank keep getting pushed slowly further out given the worsening situation offshore which will clearly hit our economic growth rate, and heightened expectations of interest rate cuts in Australia and Europe.

Other Inflation Influencers

The NZD decline is not significant enough to be thinking about a compensatory rise in interest rates from the Reserve Bank.

Rate Movements This Week

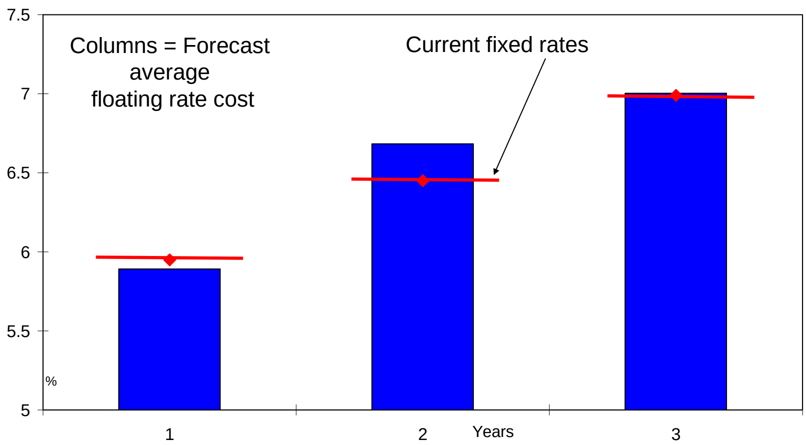
Rates have again eased marginally. Nothing major.

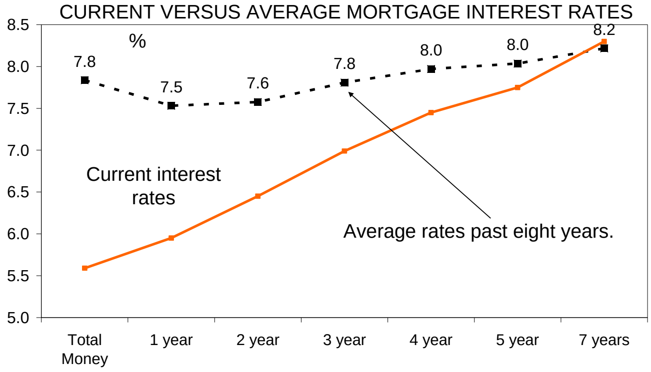
FINANCIAL MARKETS DATA

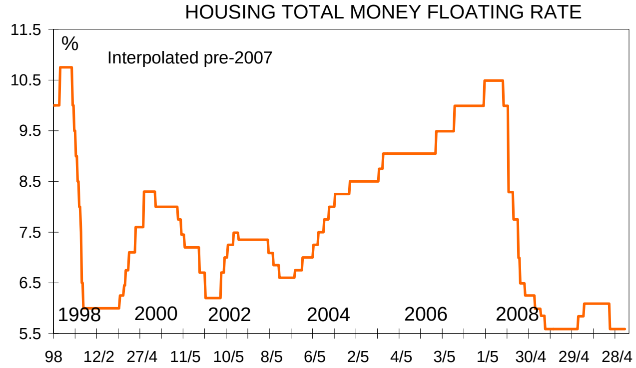
	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	2.50%	2.50	2.50	2.50	3.00	5.9
90-day bank bill	2.83%	2.87	2.96	2.69	3.20	6.2
1 year swap	2.93%	3.00	3.14	2.98	3.48	6.0
3 year swap	3.29%	3.40	3.61	3.85	4.03	6.2
5 year swap	3.74%	3.84	4.09	4.50	4.39	6.4
180-day term depo	4.00%	4.00	4.50	3.60	4.90	6.0
Five year term depo	6.00%	6.00	6.00	6.00	6.75	6.5

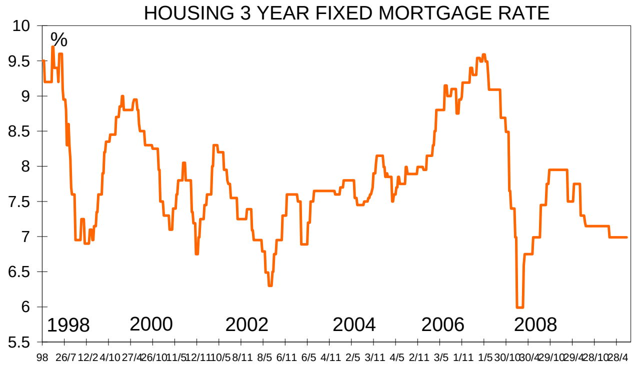
If I Were a Borrower What Would I Do?

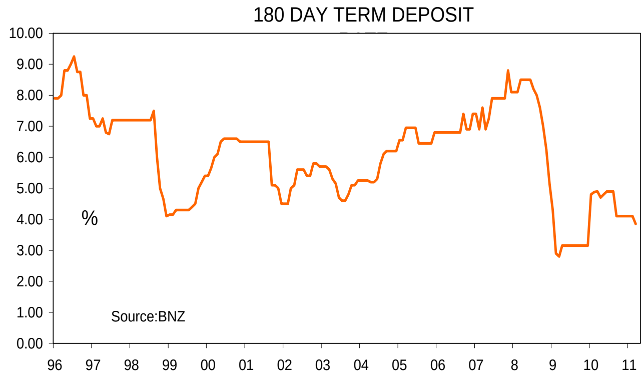
Float.




CURRENT VERSUS AVERAGE MORTGAGE INTEREST RATES
%
7.8
7.5
7.6
7.8
8.0
8.0
8.2
Current interest rates
Average rates past eight years.
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

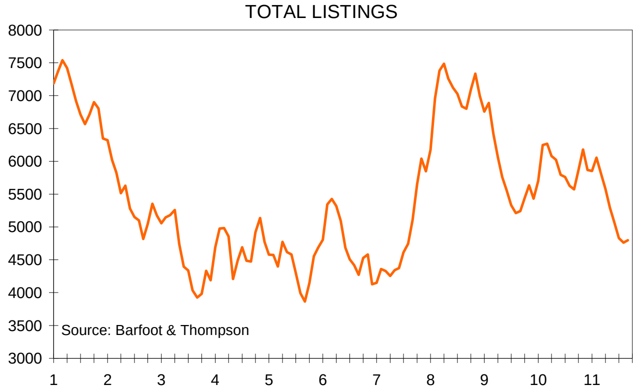
To view the most recent results of our monthly BNZ-REINZ Market Survey and read our monthly Real Estate Overview click here. http://tonyalexander.co.nz/bnz-reinz-survey/

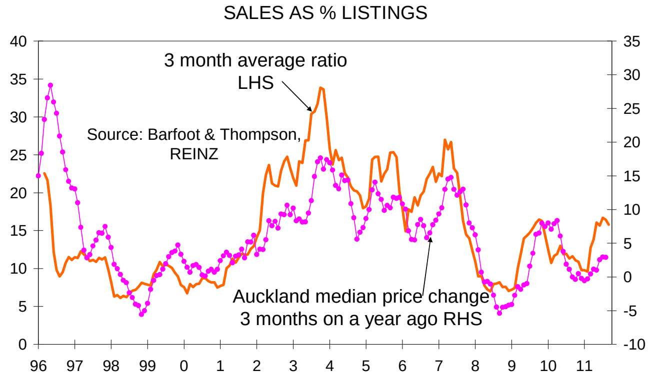
Auckland Sales Falling?

This week we received monthly data from Barfoot and Thompson. In Auckland they sold 738 dwellings which was a rise of 7% from a year ago but near 10% s.a. fall from August which itself was broadly flat. Over the September quarter sales have fallen about 5% seasonally adjusted so things have cooled off a tad activity-wise recently, perhaps with a downward bias associated with the RWC. A number of retailers have noted some easing off in general household spending which they attribute to the Cup.

The average sales price jumped to $547,000 in September from $531,000 in August and the gain from a year ago amounted to 4.6%. But on average over the September quarter prices were up only 0.8% from the June quarter so one would struggle to run much of an argument that prices are rising much.

The listings situation has not changed much with the total number of listings at month's end down 13.9% from a year ago and the number of new listings received ahead 5% from the number received in September last year. Nothing too much happening with stock availability is how we read that.





Overall the monthly B&T data show a housing market in relatively calm state but with a hint of some new sales weakness.

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

Still Spiraling Downward

The number of countries in the Euro-zone who have passed legislation allowing expansion of the European bailout fund has now reached 14 out of 17 with Germany's Bundestag voting strongly in favour last Thursday night. Once all the affirmative votes are in the fund is likely to be officially expanded from the middle of this month and that will allow greater assistance to be provided in particular to Greece. But this will be just the first step in a long process because the expanded fund at just €440bn is still much too small to be able to handle any contagion effect of Greek debt worries into Italy and Spain. Therefore proposals are being examined for leveraging the fund – meaning have it use its capital to raise funds from the ECB (which the

ECB opposes) or private lenders. But the chances of such leverage occurring appear slim given the opposition to such a move.

But just as a bout of glass half full happiness gripped the financial markets on Thursday night there was a seemingly inevitable reversal to glass half full attitudes involving increased worries about bank failures come Friday. Belgium bank Dexia with 35,000 staff and eight million customers across mainly three countries has large exposure to Greek government bonds and is finding it hard (as in impossible) to raise funds in the interbank market sparking collapse fears. The bank was supported with bailout money 2-3 years ago and it has just been bailed out again. The interest of course is not just in this one bank but whether a deal can be struck quickly to support European banks generally in the event of Greek debt default.

Plus swirling around is a continuing stream of calls by sometimes senior people for Greece to be “let go” from the Euro-zone. The trouble is that there is no rule which in fact allows this to happen – yet. There was a rumour that the ECB would require private holders of Greek government debt to take a 75% haircut, plus a comment from the German Finance Minister suggesting Germany would not contribute any more money to the EFSF bailout fund.

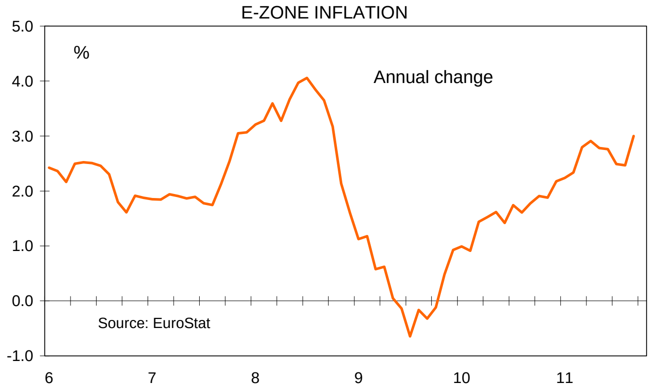
And we learnt again that the Southern European countries are just fiscally inept with the revelation this week that the Madeira Islands – which form part of Portugal – had previously undeclared debt of €1.1b. That adds 0.3% to Portugal’s debt and apparently similar debt is being unearthed in parts of Spain.

Greece also announced that they will miss their deficit targets for both this year and next year.

Plus Moody’s cut their credit rating for Italy for the first time in two decades by a large three notches to A2 with a negative outlook retained. Italy has a government debt to GDP ratio of near 120%, a relatively rigid economy producing low productivity and limited ability to adjust to change, and an increasingly struggling coalition government led by a media mogul of dubious ethical credentials. The rating cut puts Italy’s credit rating five notches below top grade.

As far as data showing the state of the European economy go the news has not been that flash during the past week. Retail sales in Germany fell by a rather large 2.9% in August whereas a rise of 0.1% had been expected. This sounds terrible but sales rose 4% in June so clearly either spending is all over the place or more probably the seasonal adjustment programme needs work. It is worth noting that the number of people classified as unemployed fell to a 20 year low in September.

On the inflation front there was some worrying news with the early Eurostat estimate for September coming in at 3% compared with 2.5% in August.



Chinese Inflation

There was some positive news out of China this week in the form of the monthly official PMI index which rose for the second month in a row to 51.2 in September from 50.9 in August. A near flat result had been expected following earlier release of the unofficial HSBC index which was unchanged from August at 49.9.

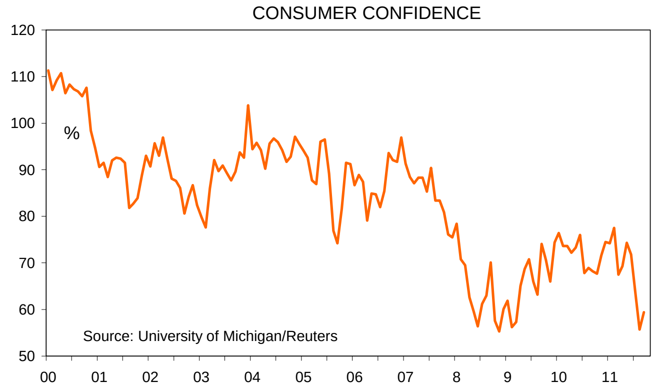
The official CLSA measure also included a small rise in export orders and some evidence of moderating inflation pressures.

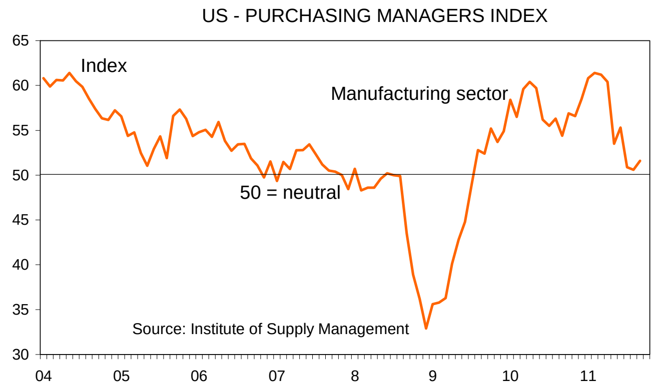
But debt worries have remained on the radar with stories about tightening restrictions on bank lending (reversing the huge lending boom of 2009-10) leading to increasing use of unregulated high interest lenders and resulting company failures with business owners either fleeing their debts or committing suicide.

US Growth Momentum

This week the annualised rate of growth in GDP during the June quarter which had been revised down from 1.3% to 1% a few weeks was revised back up to 1.3%. The change is not all that significant and the underlying theme in the US remains one of weak growth in economic activity with worries about the economy slipping back into recession with both consumers and businesses scared of what they see around them. In fact something called the Bloomberg Consumer Comfort Index fell to the second lowest reading on record (since 1990). Consumers are concerned about a lack of jobs growth, falling house prices, and lack of a growth plan from policy makers.

However at the same time the more widely watched University of Michigan index improved to a higher than expected 59.4 in September from 55.7 in August. The key point however is that the level of sentiment remains very depressed and it would be a brave person who concluded that the first sentiment improvement in five months was the start of an upward trend.



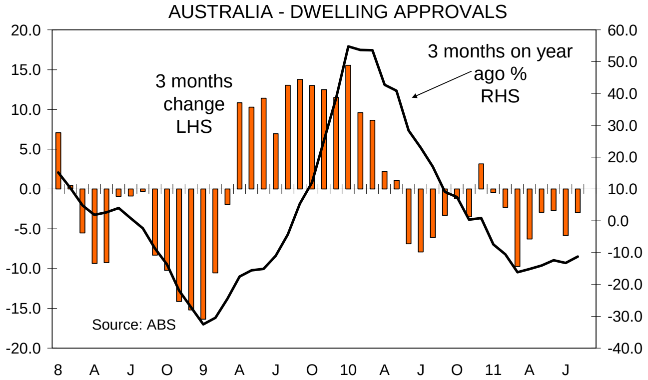


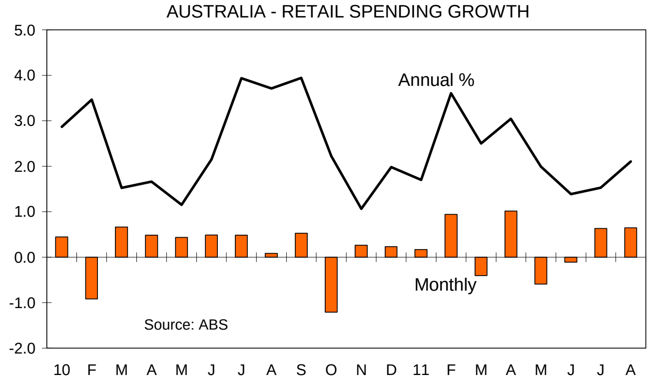
But there was a better than expected piece of news in the form of the monthly Institute of Supply Management manufacturing index improving to 51.6 in September from 50.6 in August where a reading below 50 means the manufacturing sector is shrinking. But just as for the confidence index already noted, while an increase is good the level remains very low and not suggestive of much economic strength.

This Friday night the September non-farm payrolls report will be released. The general expectation is for job numbers to have grown but not by all that much. In August there was no growth and the unemployment rate in recent months has risen from 8.8% to 9.1% and the labour market's weakness is becoming a more and more pressing issue in the US.

Australian Growth

The number of approvals issued for the construction of houses increased by a good 11.4% in August. But the gain was mainly attributable to apartments which jumped 35% while houses fell 1% and the trend in the residential construction sector in Australia remains downward – hit by buyers backing off in the face of high interest rates and rising unemployment.





However in August retail spending also put in a better than expected performance with spending ahead 0.6% s.a. for the second month in a row. But to put things into perspective this still leaves sales only 2.1% ahead of a year ago and up 0.5% in the three months to August compared with the three months to May. Feedback from retailers indicates that underlying consumer spending remains very weak as households worry about rising prices, a weakening labour market in some parts of the country, ditto for falling house prices, and high interest rates.

This week as expected the RBA left their cash rate unchanged at 4.75%. But the tone of their commentary has changed with the removal of threats to raise the rate. The chances have clearly increased that they will cut the rate if the world situation deteriorates further, if the unemployment rate rises form 5.3% to perhaps above 5.5%, or if business confidence falls away reasonably sharply.

Exchange Rates

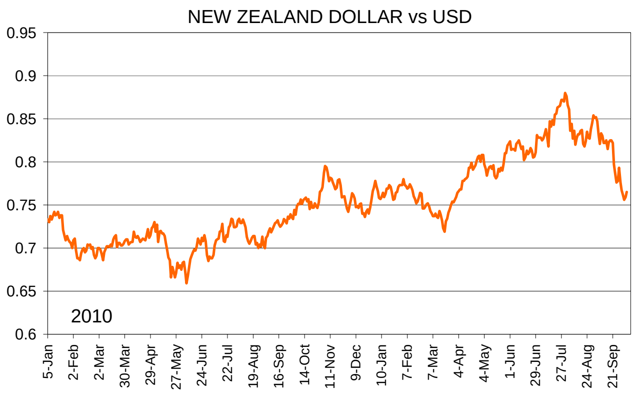
Exchange Rates	This Week	Week Ago	4 wks ago	Mths Ago	Yr ago	Consensus Frcsts yr ago*	10 yr average
NZD/USD	0.765	0.776	0.832	0.825	0.7484	0.689	0.629
NZD/AUD	0.793	0.794	0.788	0.771	0.771	0.773	0.855
NZD/JPY	58.800	59.400	64.000	66.800	62.3	67.7	68.4
NZD/GBP	0.495	0.497	0.517	0.514	0.4711	0.448	0.368
NZD/EUR	0.573	0.572	0.590	0.572	0.5411	0.52	0.511
NZDCNY	4.866	4.962	5.313	5.335	5.007		4.83
USD/JPY	76.863	76.546	76.923	80.970	83.244	98.3	109.9
USD/GBP	1.545	1.561	1.609	1.605	1.589	1.54	1.705
USD/EUR	1.335	1.357	1.410	1.442	1.383	1.33	1.229
AUD/USD	0.96	0.98	1.06	1.07	0.97	0.891	0.737

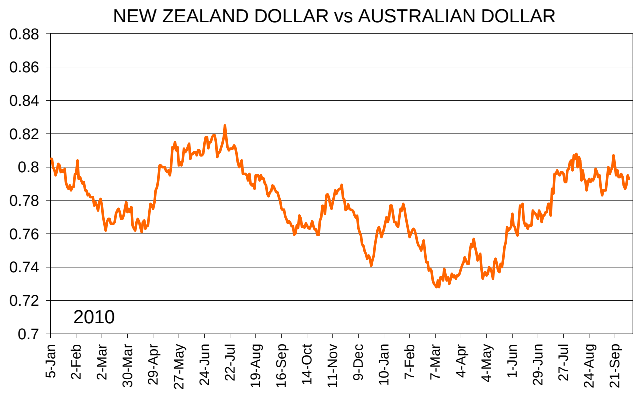
*Sourced from Consensus Economics. http://www.consensuseconomics.com/

Risk Aversion Lowers NZD

With sharemarkets falling away further during the week and nothing remotely resembling a circuit breaker appearing to stem the crisis in Europe risky currencies like the Kiwi dollar have been sold lower. In addition there are growing expectations that NZ export commodity prices are about to take a fall and as we are known also as a commodity currency this is weighing the NZD down. Plus, as we have been trying to get across for the past few months, the state of the NZ economy is not as strong as many commentators including the Reserve Bank have been saying in general commentary. Export receipts are falling, consumer spending is flat, the labour market has shown some weakening, and business investment indicators are mixed. Understandably with all of these things happening expectations for NZ monetary policy tightening have all but gone out the window and that is a factor also weighing on the NZD now.

So this afternoon we have ended against the USD near one cent down from a week ago while holding level against the Aussie dollar.

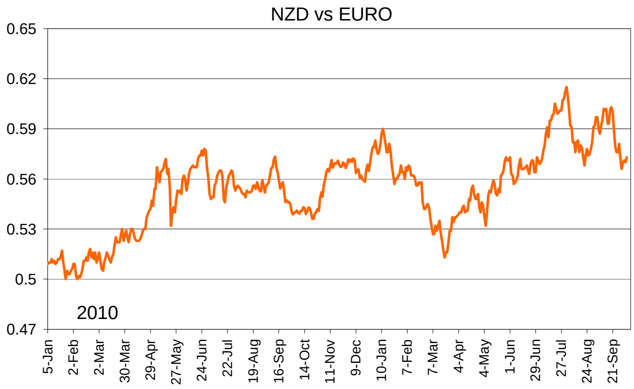


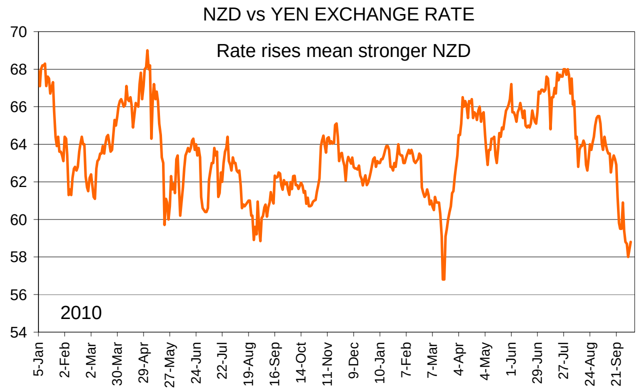


The AUD has fallen two cents against the greenback mainly on the back of comments from the RBA Governor regarding monetary policy being much more dovish than expected. The markets are now largely primed for a cut in the 4.75% rate at next month's RBA Board meeting.

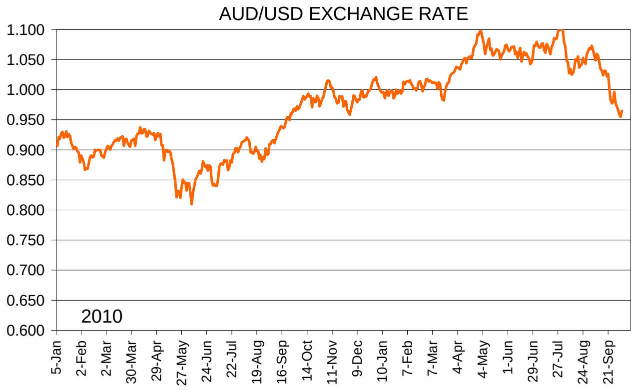
Against the Euro the NZD is also unchanged from last week with the Euro being sold against the greenback and Yen on growing sovereign debt/bank collapse worries. In fact during the week the Euro traded at a ten month low against the USD.

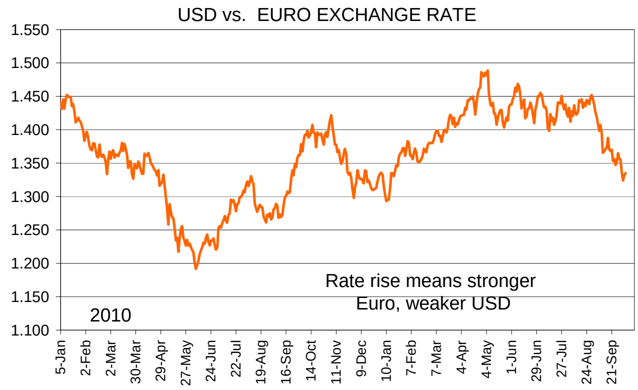
With regard to the Japanese Yen the NZD has weakened slightly with the Yen having seen funds flowing in away from Europe.

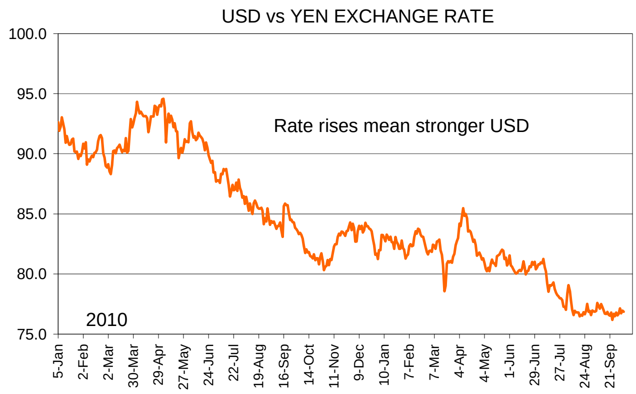




Where the NZD goes from here depends almost exclusively in the short term on what happens in Europe. The risk is that things get worse there before they get better some months down the track and that means NZD weakness until some resolution point is reached and hopes for growth improve. When that happens the NZD will likely bounce strongly. That may happen next year, or in 2013, or in 2014, or …

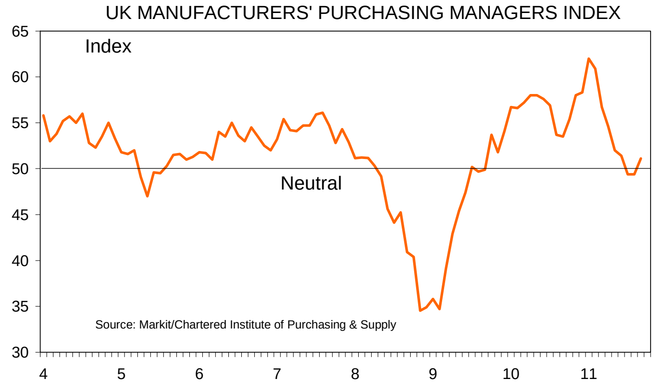




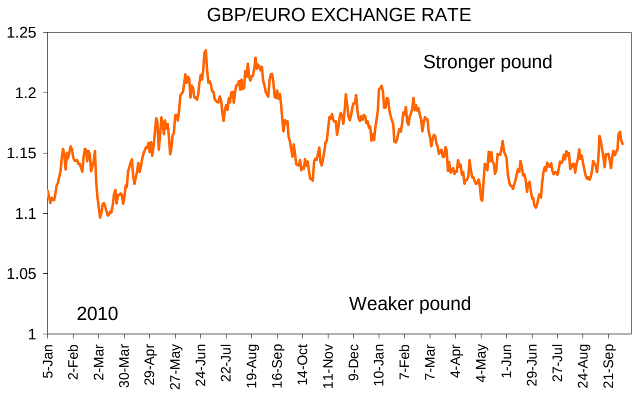


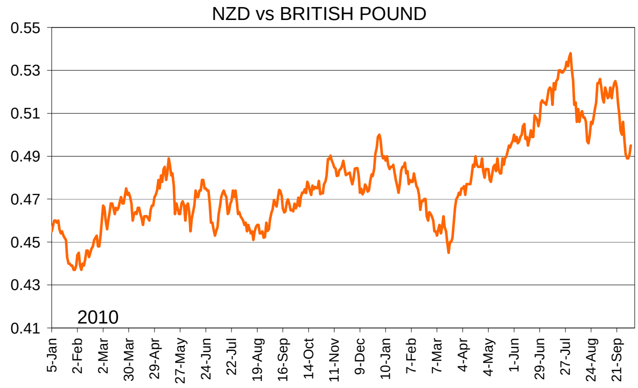
United Kingdom

There was a better than expected piece of data released this week in the form of the monthly ISM manufacturing index which rose to 51.1 in September from 49.4 in August. A fall to 48.5 had been expected so the result shows the manufacturing sector to not be quite as weak as fared. But the level of the index is still very low and it would be a brave person who concluded that a one month rise is the start of an upward trend.



Also we found out that the UK economy actually only grew 0.1% in the June quarter (same as us) rather than the 0.2% previously estimated. Stalled in other words – just like us.





Exchange Rate Assumptions

	2010	2011	Risk	2012	Risk
Year end					
NZD/USD	0.73	0.87		0.84	Higher
NZD/AUD	0.74	0.81		0.85	
NZD/YEN	64.2	68		72.0	
NZD/GBP	0.44	0.53		0.52	
NZD/EUR	0.51	0.60		0.60	
USD/JPY	88	78	Lower	86	Lower
GBP/USD	1.66	1.64		1.62	Higher
EUR/USD	1.43	1.45	Higher	1.40	Higher
AUD/USD	0.99	1.07		0.99	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%	0.1	0.9	+1.5	0.5	-2.4
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	3.7	3.6	......	2.5	5.6
Terms of Trade		2.3	0.8	7.0	12.7	-13.5
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%.	1.0	1.0	1.3	1.9	-3.1
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	+2,257	4,625yr	......	14,507	15,642
Tourism – an. av grth	10 year average growth = 3.2%. Stats NZ	-0.6	0.9	-0.6	4.4	-2.8
		Latest year rate	Prev mth year rate	6 mths ago	Year ago	2 yrs ago
Business confidence	BNZ survey	36	22	-21	8	56
Consumer confidence	ANZ-Roy Morgan 100=neutral	113	113	101	116	120
Household debt	10 year average growth = 10.3%. RBNZ	1.2	1.2	1.5	2.4	2.6
Dwelling sales	10 year average growth = 2.5%. REINZ	21.1	11.7	-10.5	-27.1	39.3
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.
The BNZ Weekly Overview is prepared by Tony Alexander, Chief Economist at the Bank of New Zealand. Ph 04 474-6744 tony.alexander@bnz.co.nz www.tonyalexander.co.nz

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	2.5	4.0 – 4.5	4.25 – 4.75
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