BNZ Weekly Overview

26 January 2012

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

The week has not been an active one with regard to new information on the state of the NZ economy. This morning the Reserve Bank met near everyone's expectations by leaving the official cash rate unchanged at 2.5%. My analysis shows the NZ economy continues on a weak path with inflation much lower than expected and a strong currency acting to further damping growth. So the chances of monetary policy being tightened this year are minimal and borrowers would not be amiss in budgeting for no change in floating rate funding costs this year.

Apart from that we have fresh data in hand showing a deterioration in job advertising which clearly means retailers should refrain from forecasting consumer spending strength this year. Last week we got further confirmation of falling business confidence and that bespeaks of continued weak conditions in commercial construction though possibly average growth in plant and machinery equipment.

Offshore the situation remains as fraught as ever with still a firm chance that Greece will be forced to default on its debt and possibly exit or be thrown out of the Euro as the German people remain unwilling to supply more bailout money. Still, housing is improving and dairy prices are good!

Some Guangzhou Observations

After two days last week attending the seventh annual Asian Financial Forum I went with the head of the NZ Chamber of Commerce in Hong Kong, David Whitwham, by high speed train to Guangzhou. Guangzhou has a population of some 13 million people which is a tad fewer than nearby Shenzen but Guangzhou has been a city for a long time whereas in 1980 when Shenzen was made into China's first Special Economic Zone its population as a simple fishing village was only 70,000. Both cities have however sprouted wings on the back of millions of migrants from the western and central provinces of China arriving to work in the tens of thousands of factories set up following the commencement of Deng Xiaoping's reform and opening up policies in 1978.

Most of the outside investment used for setting up the factories has come from Hong Kong with Taiwan also heavily involved then after them other countries such as the USA, Japan UK etc. Guangzhou hosted the 16th Asian Games (a big version of our Commonwealth Games) in 2010 and much infrastructure was put in place in readiness for that event and simply as part of China's massive infrastructure surge.

One gives thought to this infrastructure binge in the context of how good it would be if we could have high speed rail in New Zealand (the United States has none), a proper functioning urban rail system in Auckland, an Auckland Harbour tunnel or new bridge, Transmission Gully north of Wellington and so on. But a key issue here is that China has an incentive to bulk up to the max on infrastructure now while wage and non-wage labour costs are low. After all, infrastructure is really just lots of steel encased in concrete in various shapes with more steel maybe on the outside and decent computer systems controlling flows of things. Those first two items are easily produced and require little sophistication. The hefty costs come when one has to go through lengthy consent processes and pay the wages of a developed economy.

So we should fully expect that as soon as computer system problems apparently responsible for last year's high speed rail crash are sorted out China will go gangbusters to complete its 35,000 kms of planned high speed rail network, massive urban metro systems, and motorways everywhere. This source of growth for the Chinese economy will continue to power ahead at speed for the next few years.

Back to Guangzhou, with costs creeping up the city is losing the likes of garment and toy manufacturers to inland regions (watch for that to skyrocket if Myanmar fully opens – more on that later). Their response is not to sit around lobbying whoever for some protection or exchange rate manipulation (the past response of many in NZ's manufacturing sector to their inevitable decline), but to focus explicitly on growing other sectors including high end manufacturing and the services sector.

For your guide, for the past three decades of China's opening there has been no love lost between provinces and cities as they have competed with each other to get the greatest GDP growth. Their eyes are always on the threats and opportunities of the future and how to prepare for them and good old NZ's level the playing field and they will come philosophy (which has failed in our NZ cultural context) gets little look in. Hence the availability of plenty of incentives – but also of course the source of many social problems. The determination to develop infrastructure has seen entire villages displaced (this continues nationwide) and the turning of a blind eye to developers who have forcibly moved neighbourhoods so new apartment buildings and factories can go up. Insufficient compensation has been paid to those displaced and while legally they have good cases the police and court judges are paid by the local authorities and because those authorities want the development (and the revenue from selling/leasing the land) the police have traditionally not acted to assist displaced individuals.

This situation may however be changing because the underlying thrust of China's economic policy is shifting away (courtesy of the last five year plan and the current 12th one) from GDP growth at all costs to greater social inclusion and addressing income and wealth disparities which have skyrocketed in recent years. The growth in these disparities (urban vs. rural, young vs. old, educated vs. uneducated, east vs. central and west) is China's greatest threat and will remain so for quite some time. Balancing the need and desire for growth against the rising desire for reduced disparities will be a huge challenge for many years and operators in China will need to give thought to the rising chance of rapid policy changes addressing inequalities – policy changes which are easy to make in a one party communist state. Just ask the Myanmar people as they watch with as much astonishment as the rest of us as their country is opened up and (hopefully) democratised.

With regard to incentives there are those which are provided at the state (whole country) level such as tariff-free importation of equipment and reduced rent for premises. Then there are specific provincial government incentives which may be related to especially targeted industries or locations, science centres etc. There may be special funding for research and development.

Guangzhou has dozens of universities, about ten of which are located on one of the large islands of the city. The city in fact has one million students and the demographics are definitely skewed toward the young. One notices that in a simple comparison between the people on the metro in Guangzhou versus those in Hong Kong. In the former you rarely see old people, few suits. In Hong Kong you see all types of people, a greater variety of hair colour, and no chickens. That is, I saw a cardboard box with at least one chicken in it being transported on the Guangzhou metro – but that could simply be because the biggest annual human migration on the planet was underway while I was there. It is the tradition for family to gather together to celebrate the Chinese New Year which fell this year at the unusually early time of January 23. Young people are expected to travel to their elders' homes. That means with something like 200 million people plus having migrated to the eastern seaboard cities as migrant workers in the past few years there are millions of people catching planes trains and buses westward. This year's migration involves over 2.5bn individual train rides (there and back) and people start travelling early ahead of the immediate pre-New Year crush – hence Guangzhou was actually reasonably quiet and Shenzen by some accounts (a Kiwi we met on the train) all but empty.

Traveller behaviour is different on the Guangzhou metro from Hong Kong's MTR. On the former people are very pushy and instructions to stand aside and let passengers off before boarding are paid mere lip service. Politeness levels in that regard are quite low compared with HK where rules tend to be reasonably well followed – to the point where there was a video-taped stand-up argument recently posted on-line between a Hong Kong person and a mainlander woman being told off for feeding her child on the Hong Kong metro. In Hong Kong people are getting very sensitive about the huge numbers of mainlanders heading their way. The mainlanders have been coming to Hong Kong to give birth so their children get Hong Kong residency – and to avoid costs involved with pre-birth checks they largely show up at the last minute at emergency wards. New checks are being introduced at the border to knock back the knocked up.

Mainlanders have been buying Hong Kong apartments and pushing prices up while leaving them untenanted as yields are so low it is not worth the hassle. These wealthy mainlanders also come across for the shopping and as shops are set up to cater for their expensive needs the traditional Hong Kong shops are being priced out of the market.

Speaking of expensive tastes, while walking through Guangzhou we visited a couple of supermarkets to play the game 'Spot the NZ products" We found only dairy products and green Kiwifruit discounted to 3.9 yuan a kilo beside Dole Gold Kiwi selling at 6.9. There was some Mainland cheese priced at the equivalent of NZ$40 per kg. Not just the NZ infant powder but all of it was either kept out back with empty cans displayed, or the cans on display had electronic wires around them to prevent theft – like in Dick Smith shops. The best cans are those which contain formula produced and canned offshore and those ones are kept in a glass cabinet behind the checkout operators. With a one child policy in place following China's population doubling between 1955 and 1977 people will not take risks on the health of their babies.

This year being the Year of the Dragon there will apparently be a lot births as children born in such a year are considered to be bold and successful. So we should anticipate extra demand for our high quality baby and infant formula soon.

Speaking of children, whereas in Paris one sees public displays of affection (kissing, crying) in China one sees public displays of discipline involving pushing, pulling and whacking one's child or grandchild while giving it a right royal bollocking. But these kids are horribly spoiled as for each child there are six adults trying to love them! That is a lot of guilty people prepared to pay top dollar for our healthy quality-guaranteed milk powder/infant formula.

Speaking of stuff people eat, one might want to give thought to using China as a country for introducing a food product one may want to eventually sell in the US as the US Food and Drug Administration recognises China's safety body and the latter tend to move a tad faster than the former. A New Zealand Food Safety Certificate is recognised in China. In China you can actually sell your food item while waiting for official approval!

Whilst in Guangzhou I met with people from Invest Guangzhou and these are the people you want to hook up with if you are thinking about setting up something in the city. They can find investors for you, potential distributors, and a range of suitable premises which meet your specifications.

Some final comments on Guangzhou.

- I found my best mainland coffee ever in a tiny café inside the Grand View Mall near the sports stadium they built smack bang in the centre of town. The mall is well worth a visit because it contains local shops and brands rather than the global ones.
- There appeared to be a number of buildings half finished as apparently the developer ran out of money.
- The hotel bed was the hardest I have ever experienced – and the sleep was not bad.

- Cigarette smoke wafted through the room even though it was a non-smoking floor. The Chinese smoke like they were French.
- Someone scored a great contract to place razor wire along the fences either side of the high speed train track. It is nice and shiny.
- Like my hotel in Beijing the room contained a torch and smoke mask in case of fire. Better run than an Italian cruise ship.
- We visited the Zhujiang Beer Museum and got a guided tour by one of the managers as no-one else was there. The can and bottle lines were fascinating to watch but there is some scope for efficiency gains as forklifts would take their huge pallets of bottles or cans to the truck where people would take them off by hand to be restacked in the trucks. Logistics is a sector in China only in its fledgling stages.
- We walked along part of the massive beyond words Canton fair site. The fair is held every six months and runs each time for two weeks, then everyone clears out, a new lot comes in, and it runs for another two weeks. There is one metro station at one end of the complex and another at the other!
- Passing through the rail station on the way back we saw hundreds of people sitting waiting with their big bags for the train to take them back home for a few days. It was something special to be in a migrant city while this huge movement of people was underway.

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.

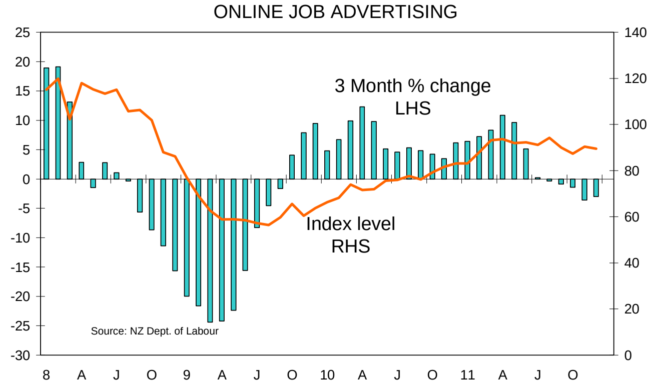
This week we have not received much new data on the state of the NZ economy – therefore we lack a nice opportunity to remind everyone of our view that things are pretty flat at the moment and no upswing in activity is in place!

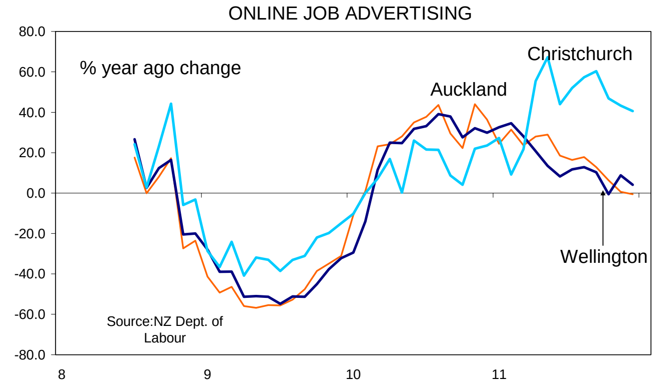
Are householders opening their wallets more?
No new information.

Is business output rising?
Nada

Are businesses hiring more people?

No they aren't really. The Department of Labour's monthly Jobs Online measures for December released this week show that in seasonally adjusted terms job advertisement numbers fell 1.7% with a fall of 2.6% recorded for the entire December quarter. This followed a rise of 1.4% in the September quarter and 4.6% rise in the June quarter. The measure strongly suggests that jobs growth has stalled.



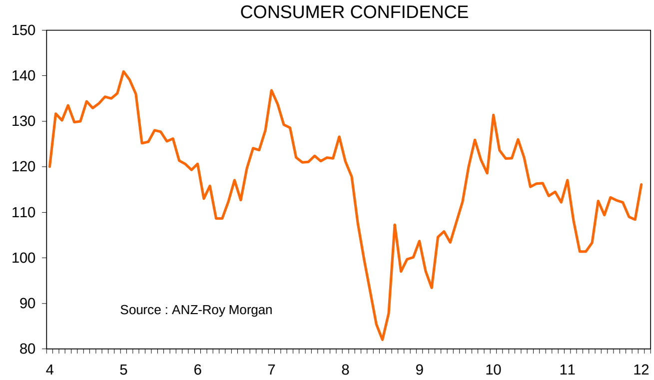


Are businesses boosting their capital spending?
To see how businesses are feeling right now one can read our monthly BNZ Confidence Survey here. http://tonyalexander.co.nz/bnz-confidence-survey/

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.

The only new piece of information this week came from the monthly ANZ-Roy Morgan poll showing a strengthening in consumer confidence to an index reading of 116 in January from 108 in December. This measure has averaged 118 over the past decade so the reading bespeaks of average consumer spending growth. However finding a good correlation between changes in consumer sentiment and changes in consumer spending is a bit difficult so frankly we read nothing into the interruption in flat sentiment indicated by the following graph.



INTEREST RATES

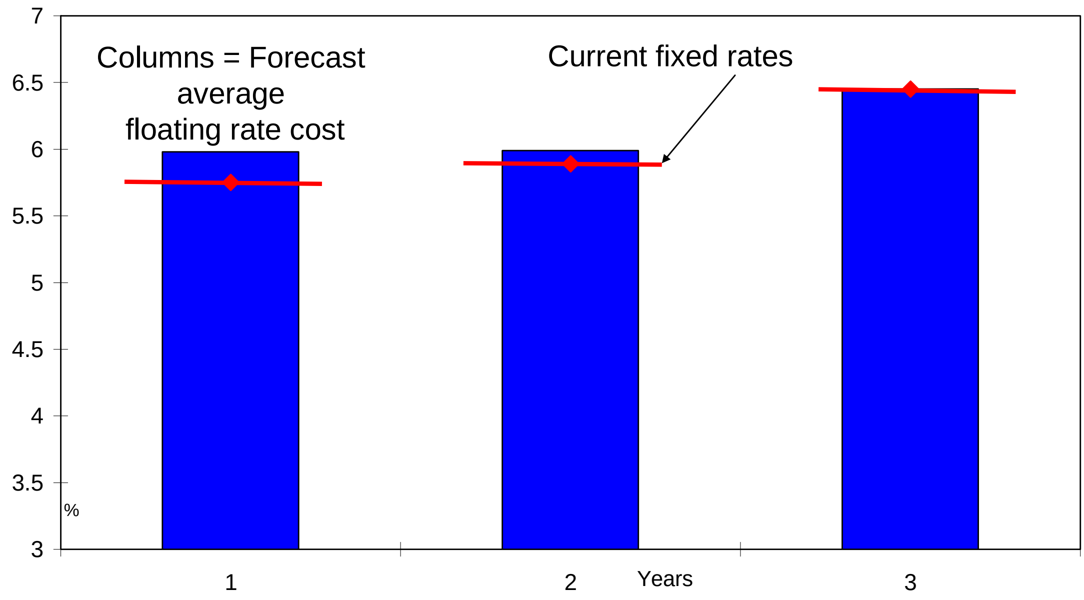
This section is going to have very little in it this year. Inflation is running 0.7% lower than the markets were thinking, the economy is barely growing, European risks remain extreme, and the currency is firming. The Reserve Bank will be giving no thought to raising interest rates for a massively long period of time. Will they cut them? Only in the context of Europe collapsing and global financial markets going into meltdown.

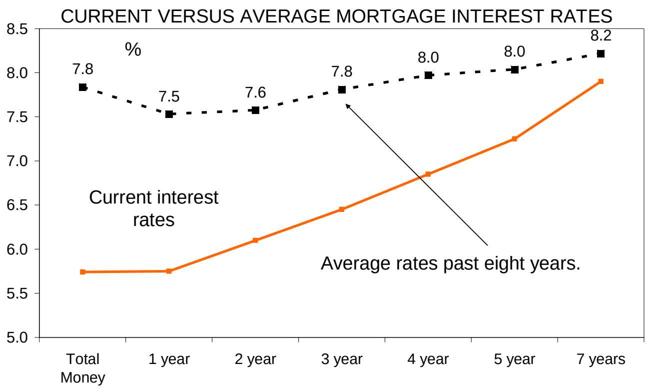
For your guide, at this morning's first 2012 review of the official cash rate the RB left the rate unchanged as had been universally expected and noted the following. "Given ongoing uncertainty around global conditions and the moderate pace of domestic demand, it remains prudent to keep the OCR on hold at 2.5 percent."

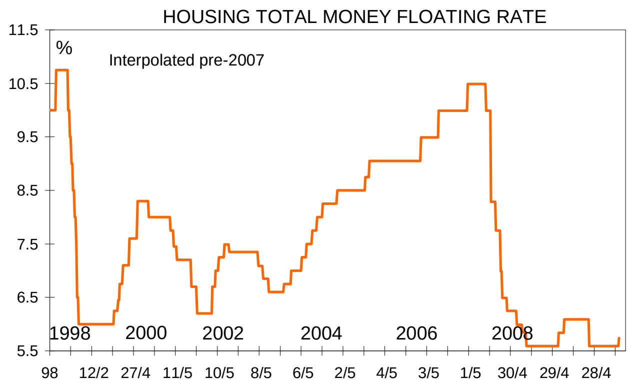
FINANCIAL MARKETS DATA	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	2.50%	2.50	2.50	2.50	3.00	5.4
90-day bank bill	2.76%	2.80	2.72	2.75	3.21	5.7
1 year swap	2.72%	2.79	2.72	2.92	3.44	5.8
3 year swap	3.08%	3.06	2.96	3.38	4.25	6.1
5 year swap	3.52%	3.50	3.38	3.92	4.73	6.3
180-day term depo	4.00%	4.00	4.50	3.60	4.90	5.7
Five year term depo	5.85%	5.85	6.00	6.00	6.75	6.4

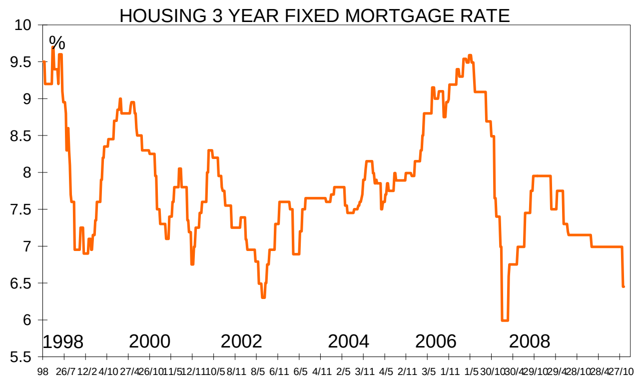
If I Were a Borrower What Would I Do?

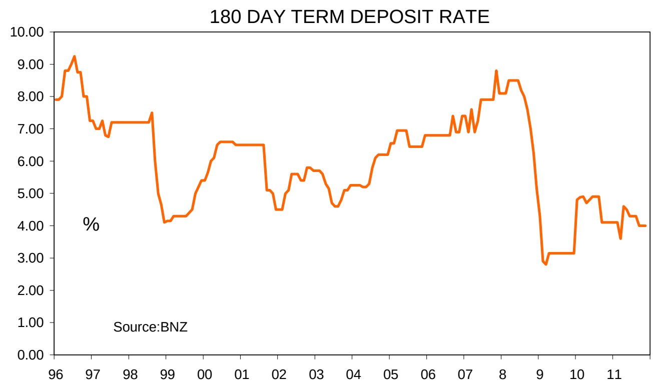
I would float given that the NZ economy is displaying few inflationary pressures outside of petrol and insurance, the EU is in recession and financial risks associated with it are growing. Having said that many people are looking at the low fixed rates on offer and concluding that the price for certainty out to 30 months at 6.1% is not too bad. I wouldn't fix four years at 6.85%, five years at 7.25%, or three years at 6.45% as I don’t expect fixed rates to be rising in the near future so I have time to continue to enjoy a low floating rate before making a decision. However, if I were to find a nicely discounted four or five year rate then I would be inclined to fix and forget in these still hugely uncertain times.









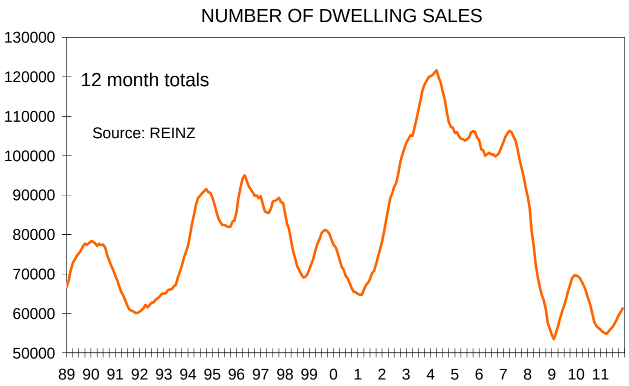


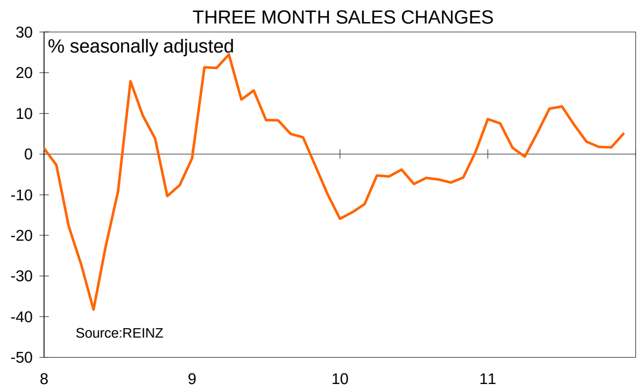
HOUSING MARKET UPDATE

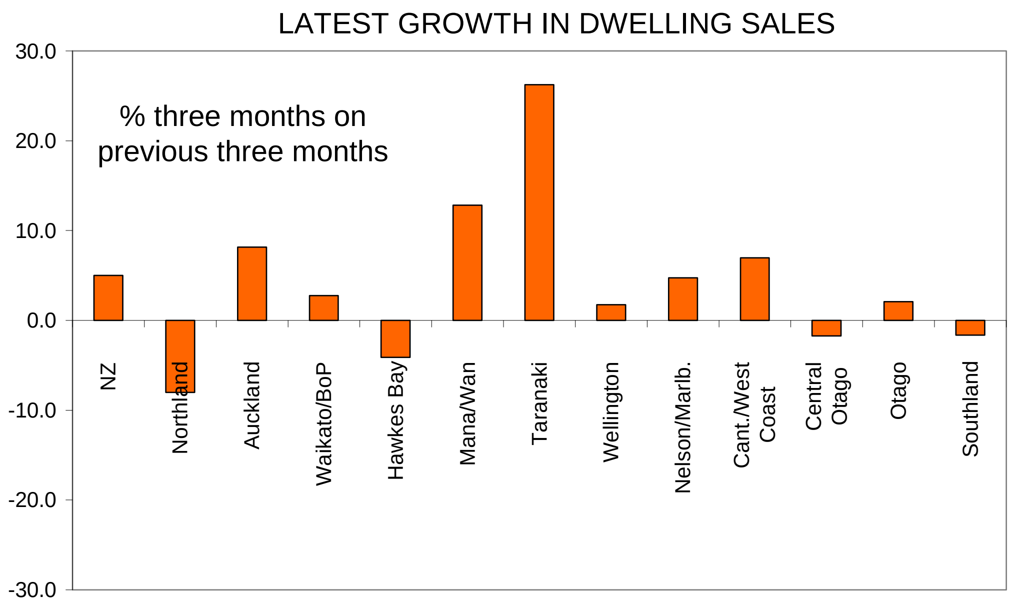
To view the most recent results of our monthly BNZ-REINZ Residential Market Survey click here. http://tonyalexander.co.nz/bnz-reinz-survey/

Housing Slowly Rising

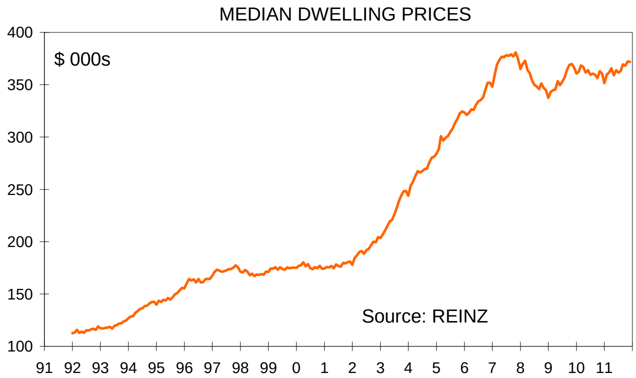
Last week the REINZ released their monthly data and they show a housing market continuing to slowly improve. The number of dwellings sold in December was 5,316 which was a 21% gain from a year ago and a 5.6% seasonally adjusted gain from November. For the December quarter sales rose a seasonally adjusted 5% from the September quarter with Auckland ahead 8%, Wellington 1.8%, and Canterbury/Westland 7%.

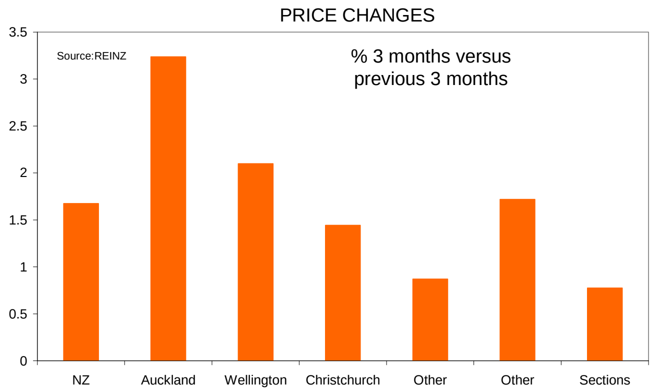




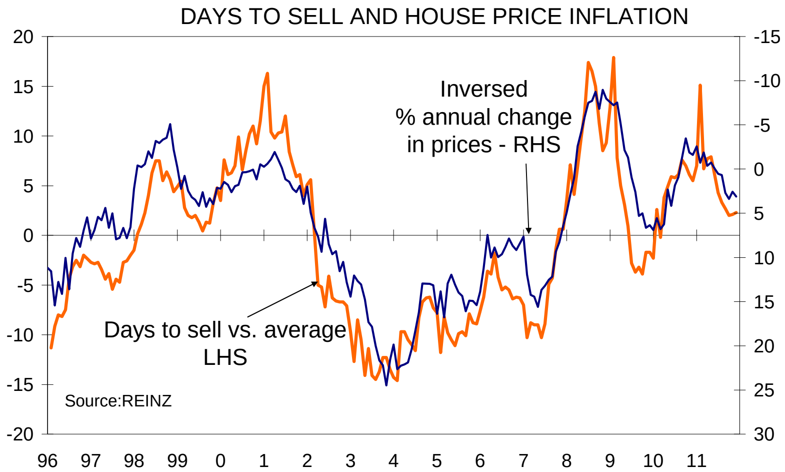


The quality-adjusted median dwelling sales price held steady in December but was up 1.7% for the December quarter on average and 3% ahead of a year ago. Auckland prices are ahead near 8% from a year ago, and Wellington 3%. Prices are drifting upward.





On average during December it took 35 days to sell a dwelling which was 2.3 days longer than the average for December over the past decade while November was 2.1 days longer and October 2 days. There is no acceleration in sales underway and things are very close to average.



There is nothing in the numbers to suggest the housing market is rising strongly – it is just rising with Auckland showing good strength probably on the back of awareness that the shortage of stock is greater there than anywhere else.

In two weeks time we will have the results of our first BNZ-REINZ Residential Market Survey for the year so will gain good insight into current market conditions and whether the strong interest from first home buyers is continuing and investors are remaining on the sidelines.

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

This week in their quarterly report the IMF cut their forecast for global growth this year to 3.3% from 4.0%, and their 2013 forecast from 4.5% to 3.9% citing “sharply escalating” risks from Europe. They also noted risks of soaring oil prices associated with tensions in the Middle East involving Iran, fears about large government debts in Japan and the United States, and weakness in European banks. Basically the global outlook continues to give them and us cause for concern and from that we would suggest taking a slightly negative view of commodity price prospects this year while continuing to reduce debt reliance and strengthen/diversify cash flows.

European Debt

There has been no change in the basic fundamental in play in Europe. It is still possible that Greece will default and exit the Euro because agreement cannot be reached on voluntarily cutting debt (an agreed default without calling it that), efforts to rein in annual deficits in many countries are depressing growth and worsening fiscal outlooks, and immediate growth prospects are poor with the Euro area now almost certainly back in recession. The Germans remain unwilling to use more German taxpayer money to fix the problem, the banking system continues to shrink in on itself to improve capital ratios, and although the banks are highly liquid that is because of special ECB financing which they won't lend to each other but instead put right back on deposit again with the ECB.

Where debt developments and market sentiment go on a weekly basis remains a random walk – meaning what happens one week gives no insight into what will happen the next week. Having said that, markets have improved slightly recently – better attended bond auctions – partly on hopes things work out and partly because of good data in the United States bringing hopes of some export sector gains assisted by the weak Euro.

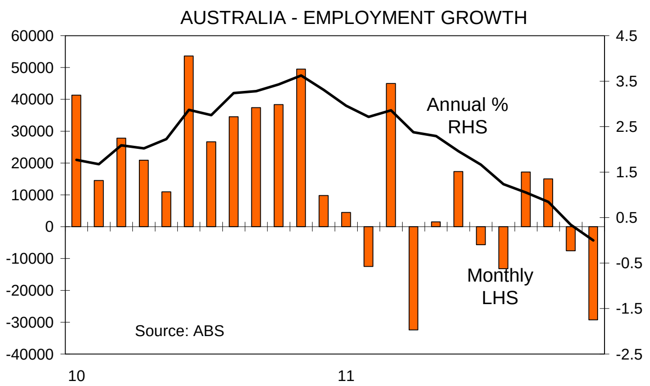
But with the Germans focusing their efforts on implementing an integrated fiscal structure geared toward long term Euro workability but bringing extra short to medium term fiscal restraint, the Americans and Brits not wanting to countenance an expansion of the IMF's role beyond current agreed resources, and developing countries wary of exposing sovereign funds to Europe's decline, big bold bailout developments just don't look likely.

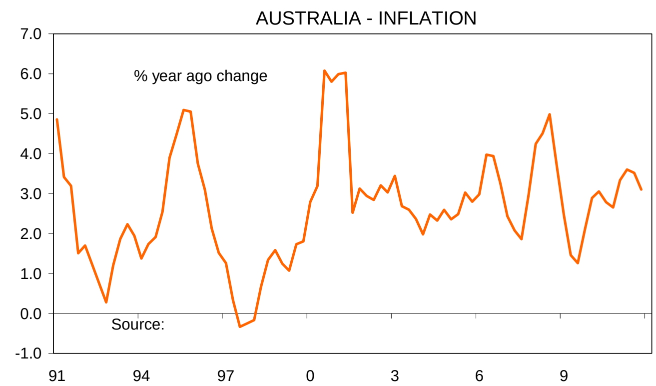
As Nobel prize winning economist Joseph Stiglitz said at the Asian Financial Forum in Hong Kong this week, no-one knows when the European problem will end or how.

Australian Growth

Australia's theme this year is one of great mining strength but weakness elsewhere resulting in still strong growth near 4% but probable cuts in interest rates because of some labour market issues and downside growth risks associated primarily with Europe.

There was a slight shock early this week when data were released showing that job numbers in Australia fell by 29,000 in December. The unemployment rate however managed to hold steady at 5.2% because many people left the workforce. This result acts as a reminder that although there are labour shortages associated with the booming minerals and infrastructure sectors there are near recessionary conditions in tourism, housing, manufacturing and retailing and that we may be in a patch where frictional unemployment becomes large. This type of unemployment comes from people taking time to move from one job, industry, location to another.





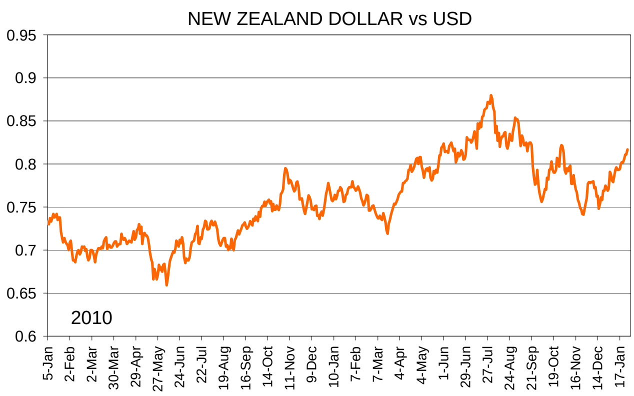
The jobs decline leaves open the chance that the RBA will ease monetary policy again in the near future. One reaches that conclusion also from looking at the December quarter inflation numbers released yesterday which showed the annual rate of inflation falling 0.2% more than expected to 3.1% from 3.5%.

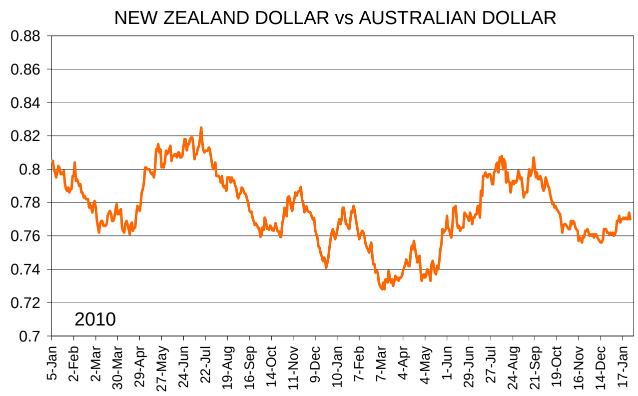
Exchange Rates

Exchange Rates	This Week	Week ago	4 wks ago	3 Mths ago	Yr ago	10 yr average
NZD/USD	0.817	0.802	0.773	0.797	0.765	0.67
NZD/AUD	0.770	0.770	0.761	0.762	0.77	0.85
NZD/JPY	63.500	61.600	60.200	60.500	62.8	69.6
NZD/GBP	0.522	0.520	0.493	0.497	0.483	0.388
NZD/EUR	0.623	0.624	0.591	0.572	0.56	0.52
NZDCNY	5.152	5.062	4.893	5.069	5.040	4.99
USD/JPY	77.723	76.808	77.878	75.910	82.092	105.7
USD/GBP	1.565	1.542	1.568	1.604	1.584	1.72
USD/EUR	1.311	1.285	1.308	1.393	1.366	1.28
AUD/USD	1.06	1.04	1.02	1.05	0.99	0.788
USD/RMB	6.3055	6.3117	6.33	6.3607	6.5881	7.56

Kiwi Firm – Upside For The Year

The Kiwi dollar has risen to a three month high against the greenback this week trading near 81.7 cents from 80.2 cents last Thursday. The gain has been driven by some easing in tensions for the moment regarding Europe, an underlying theme of NZ export commodity prices holding up well, weakening of the greenback following very dovish comments from the Federal Reserve overnight, and riding the coat-tails of a resurgent Aussie dollar.



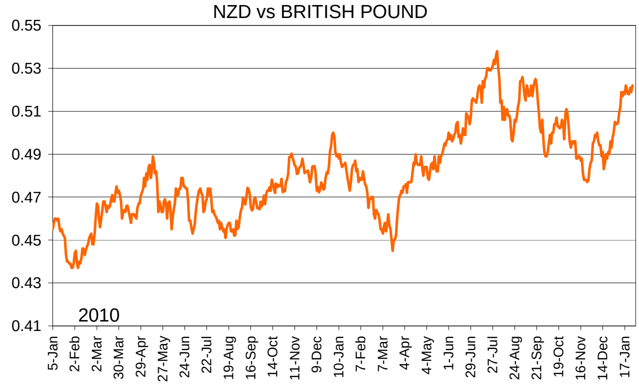


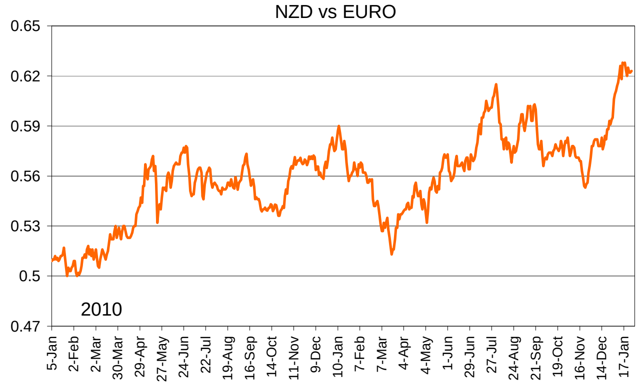
Our view late last year was that the fall in the Kiwi dollar down to levels around US 74 cents, 55.3 Euro, 48 pence, and 57 Yen would be temporary and so the current rebound comes as no surprise. The only major uncertainty was really around its timing. As for where we go, we continue to see a strong risk that the NZD gets back to the US 88 cent high reached in August though this will take some fresh news regarding either strength in the NZ economy, a bounce in commodity prices, or astounding resolution of the problems in Europe. None of these things look likely in the first half of the year therefore one suspects that if the NZD approaches the likes of 84 cents in the next few weeks this could be an opportunity to sell for the time being and to look for better buying levels before the next run up. For the moment, personally speaking if I had to trade the NZD, I would still be a cautious NZD buyer.

With regard to the NZD/AUD exchange rate one source of upward pressure this year will be the almost certain absence of any cash rate change in NZ but interest rate cuts in Australia. The easing interest rate differential currently in favour of the AUD at 4.25% cash rate versus our 2.5% will tend to reduce cash flows out of NZDs into AUDs. This week the NZD has ended unchanged from last week against the AUD at exactly 77 cents.

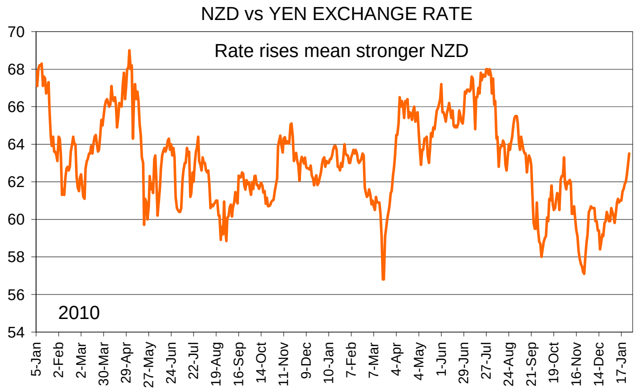
In a special message to those three or four hundred people I spoke with in London last September, may I note that my view remains that the NZD will rise to a range of 55 – 60 pence. This week we are trading near

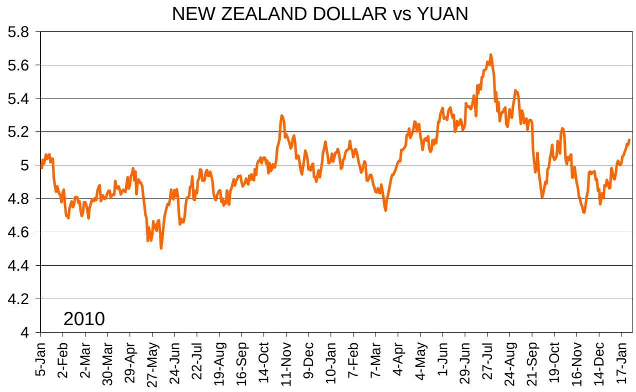
52.2 pence which is slightly up from 52 pence last week and 49.3 pence a month ago. The pound for the moment has gained some strength on the back of selling out of Euros. But the UK economy continues to look weak and may be back in recession, and one can't rule out more money printing by the Bank of England if things get worse.





On the Asian front this week the NZD jumped two Yen to a four month high against the Japanese currency as funds have flowed from the Yen into USDs. We have also risen slightly against the Renminbi to 5.15 from 5.06 and this is about a three month high. Both the RMB and NZD are likely to appreciate generally this year so picking movement in the cross rate is difficult – as it is also for the NZD/AUD. That is why if you are considering currency positions and thinking about what tools to use, personally I'd tend to use fundamentals for the likes of the NZD against the USD, GBP, JPY, and EUR, but technicals against the RMB and AUD.





Having said that, its really only the technicals which can give good insight into short term currency movements while economics is best long term. All one has to do is figure out what the long term is in economics, and then get your forecasts right. And then even if you do you may be left scratching your head to figure out why for instance the key fundamentals of a positive interest rate differential and persistent current account deficit do not cause the NZD to trend lower. Good luck.

Exchange Rate Assumptions

This table contains the latest NAB currency forecasts. In red I indicate where I believe the risk lies for these rates. You are welcome to toss your own coin and generate an equally valid table.

	2011	2012	Risk	2013	Risk
Year end					
NZD/USD	0.77	0.82	Higher	0.77	Higher
NZD/AUD	0.76	0.82		0.81	
NZD/YEN	60.0	66		63	Higher
NZD/GBP	0.50	0.53	Higher	0.50	Higher
NZD/EUR	0.60	0.64	Higher	0.57	Higher
USD/JPY	78	81	Lower	82	Lower
GBP/USD	1.54	1.56	Lower	1.53	Lower
EUR/USD	1.30	1.29	Lower	1.36	Lower
AUD/USD	1.01	1.00	Higher	0.95	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	-0.3%	0.4	1.8	4.0	2.0
GDP growth	Average past 10 years = 2.6%	0.8	0.1	+1.3	1.0	-2.7
Unemployment rate	Average past 10 years = 4.8%	6.6	6.5	......	6.4	6.5
Jobs growth	Average past 10 years = 1.9%	0.2	0.0	1.1	1.8	-1.8
Current a/c deficit	Average past 10 years = 5.5% of GDP	4.3	3.7	......	3.5	3.0
Terms of Trade		-0.6	2.4	3.4	17.9	-14.1
Wages Growth	Stats NZ analytical series	1.0	0.8	3.4	3.4	3.7
Retail Sales ex-auto	Average past 9 years = 3.9%.	2.4	1.1	2.1	2.3	-2.5
House Prices	REINZ Stratified Index	1.7	0.5	3.0	0.7	-0.4
Net migration gain	Av. gain past 10 years = 13,900	-558	2,257yr	......	11,519	20,021
Tourism – an. av grth	10 year average growth = 3.2%. Stats NZ	2.4	-0.6	2.4	3.4	-0.6
		Latest year rate	Prev mth year rate	6 mths ago	Year ago	2 yrs ago
Business confidence	BNZ survey	3	-2	57	18	43
Consumer confidence	ANZ-Roy Morgan 100=neutral	116	108	109	117	131
Household debt	10 year average growth = 10.3%. RBNZ	1.0	1.1	1.2	1.8	2.9
Dwelling sales	10 year average growth = 2.5%. REINZ	20.9	16.9	14.3	-11.3	15.2
Floating Mort. Rate	(TotalMoney) 10 year average = 7.9%*	5.74	5.74	5.59	6.09	5.59
3 yr fixed hsg rate	10 year average = 7.8%	6.45	6.45	6.99	7.15	7.95

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	1.5 – 2.0	1.5 – 2.2	2.5 – 3.5
CPI	on year ago	4.0	1.8	2.0 – 2.6	2.5 – 2.9
Official Cash rate	end year	3.0	2.5	2.25 – 2.75	3.25 – 4.25
Employment	on year ago	1.3	1.5 – 2.0	1.0 – 1.6	1.5 – 1.9
Unemployment Rate	end year	6.8	6.0 - 6.5	5.5 – 6.0	4.8 – 5.5

*extrapolated back in time as TotalMoney started in 2007