BNZ Weekly Overview

8 March 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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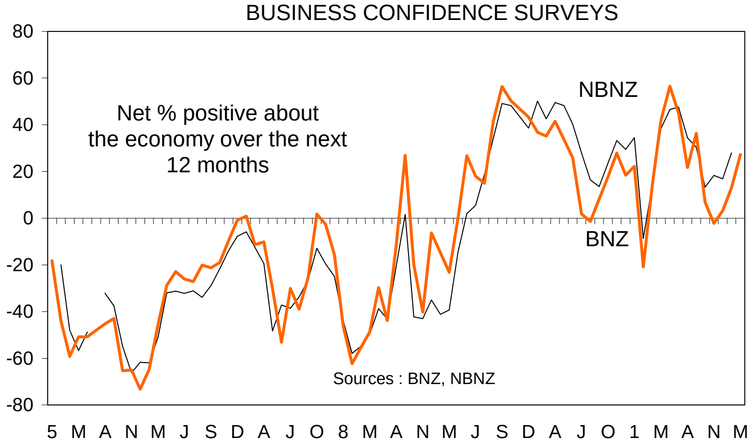
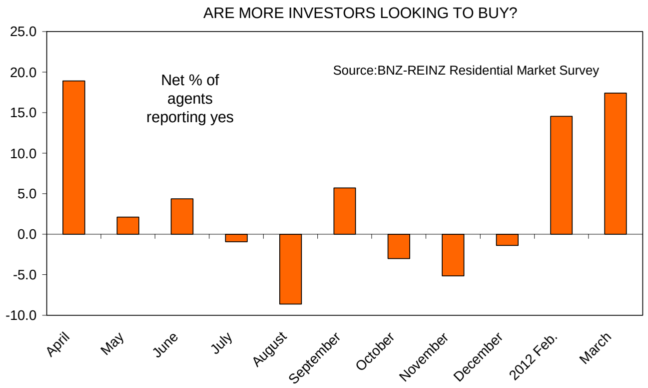
Confidence Improves

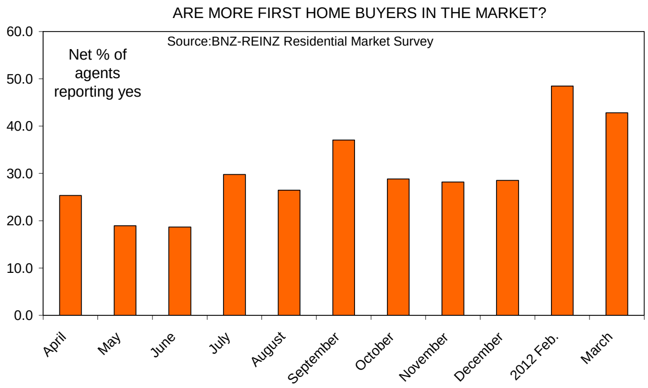
This week we undertook and released the results of our two monthly surveys and both show an economy on an improving path. The BNZ Confidence Survey largely completed by respondents on Friday and released first thing Monday morning recorded a rise in business sentiment to a six month high with strength in agricultural and signage, improving conditions in construction, residential real estate and the legal profession, but weakness still in advertising. Retailing was still very mixed. The graph we have included here shows our survey results predict extremely well those which will be released by the longer running NBNZ Business Outlook survey in about three weeks time.



Our second survey, the BNZ-REINZ Residential Market Survey contained some especially strong results. A net 38% of licensed real estate agents responding to the survey said they were noticing more people going through Open Homes. The average reading for this measure since the survey started in April last year has been 21%. A net 43% said they were noticing more first home buyers, versus a 30% average, and a net 17% noticed more investors versus a 4% average. A net 26% said they feel prices are rising which is a record result well above the 11% average.

These results show a market moving upward led largely by Auckland. But the fact that during the month agents felt that things had in fact slipped back into a buyers market from being a sellers market in February tells us that activity is not roaring away as such.





These are very early days in the residential real estate cycle and we would expect that just as in most other sectors of the economy caution reigns even when confidence is high, so too will lingering issues like debt, Europe etc. tend to stay the hand of folk who perhaps before 2007 might have jumped in boots and all.

Monetary Policy Outlook Very Very Flat

The other interesting development this week was the Reserve Bank falling more into line with my personal view of inflationary pressures and the likely track for monetary policy. Regular readers will know that the analysis here has been showing an economy over the past year struggling to gain any momentum with little appearing to indicate a threat to inflation. The Reserve Bank in their cash rate review and Monetary Policy Statement this morning actually took a reasonably upbeat view on growth going forward – restraint from the high NZD not withstanding. They lifted their forecast for growth in the year to March 2013 to 3.1% from 2.9% and for March 2014 to 3.7% from 3.2%. But they cut their inflation forecasts from 2.3% in the year to March 2012 to 1.7%, for the year to March 2013 from 2.0% to 1.5%, and for the year to March 2014 from 2.9% to 1.8%. These are big changes.

As a result they have radically altered their interest rate predictions. Whereas in December they predicted that the 90-day bank bill yield would reach 4% at the end of 2013 they now forecast only 3.3%. That implies only one rise in the current 2.5% later this year perhaps and then just one more over 2013. Borrowers have little to worry about in this environment – but as we noted on February 17, for those wanting to fix the time is at hand with the jump to do so from floating as low as it is likely to get.

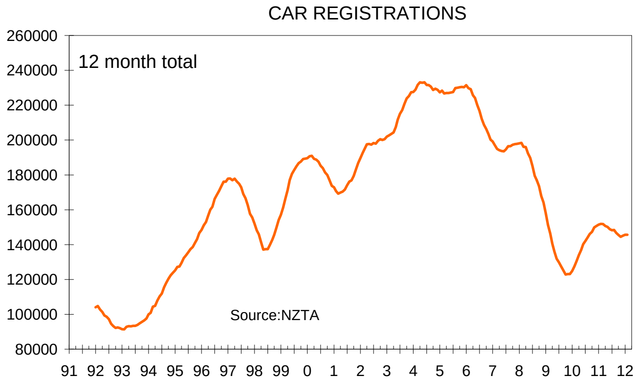
Is Our Economy Getting Better or Worse?

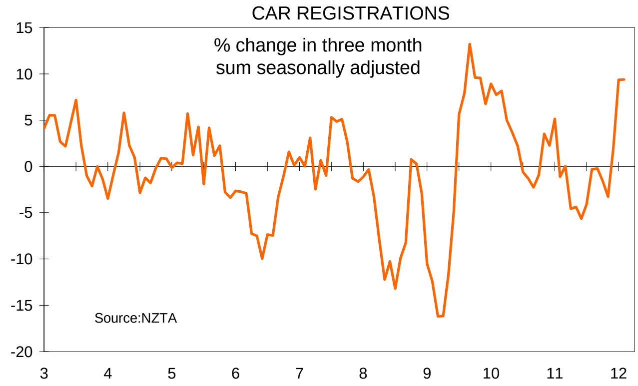
In this section we look <u>only</u> at what the data are actually telling us and pay <u>no</u> attention to forecasts or intentions measures.

Actually, looking largely at what the real data are telling us is also predominantly what the Reserve Bank are doing with regard to deciding what to do with monetary policy as well. In this newly uncertain world one has no choice other than to place reduced reliance upon economic models based upon relationships which applied before the biggest global financial crisis since the Great Depression. We feel this approach has stood us well in taking a downbeat interpretation of the economy's performance, inflationary pressures, and therefore interest rate risks.

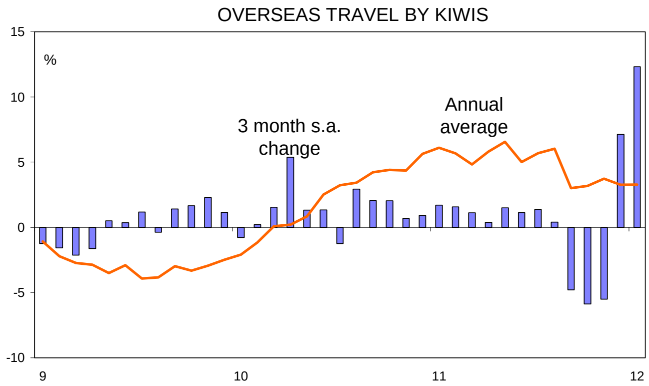
<u>Are householders opening their wallets more?</u>

In February there were 11,633 cars registered around New Zealand which was a 0.5% rise from a year ago. In the three months to February the gain from last year was 3.2% and in seasonally adjusted terms regos were ahead almost 10% from the three months to November. Therefore there seems to be an upward drift in this rather rough gauge of what consumers might be doing with their money. But the fall in rego numbers of 2,241 from January was the biggest for all years bar 2009 (global financial crisis) since our data started in 1991. Therefore we are not convinced that this series is in fact trending up and therefore are not convinced that retail spending is yet solidly growing beyond the spur created last year by the Rugby World Cup and hefty discounting.



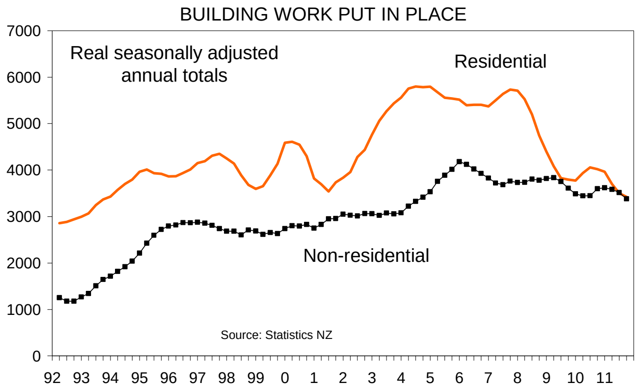


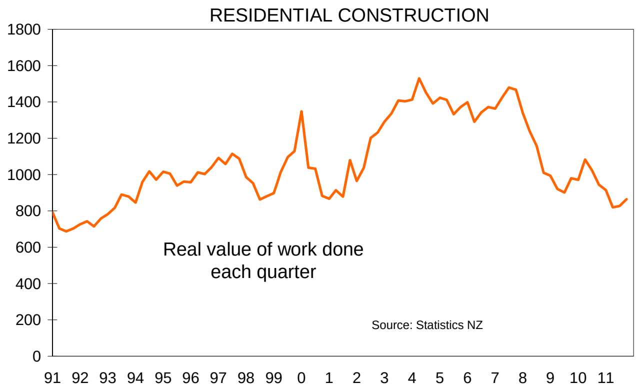
With regard to spending on overseas travel the trend is upward with outward flows ahead almost 10% in February from a year earlier and up over 3% for the entire year to February. In seasonally adjusted terms outward tourism has in fact grown by a strong 12.3% over just the past three months. So in this particular area of spending people have opened up their wallets. But does one interpret this as a sign of spending rising domestically as well, or as people choosing to take advantage of the high NZD to go offshore and perhaps paying for it by cutting back on their home spending? Actually the rapid recent growth mainly reflects recovery from a sharp fall in outflows as people stayed home to watch the rugby.



Is business output rising?
Construction has crept higher.

During the December quarter construction companies in New Zealand put in place some $1.7bn worth of work. This represented a 3% rise from the September quarter but an 11% fall from a year earlier and 11% decline also for the entire calendar year. As the first graph below shows the level of residential construction was the lowest in 18 years over 2011 while for non-residential building work the story is more one of flat activity for the past seven years.





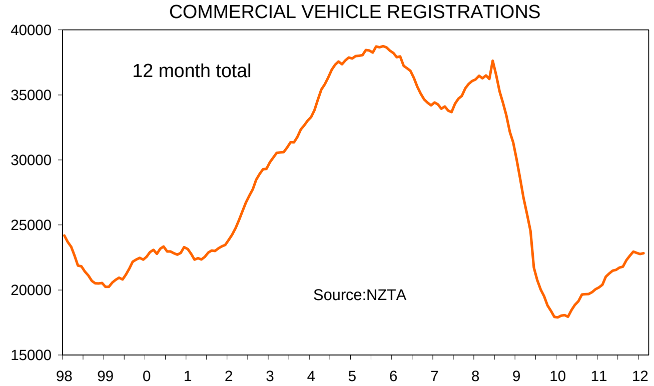
Does the 3% quarterly rise signal that activity is now picking up? For residential we think the reasonable answer is yes (residential building rose 4.5% in the December quarter) though the March quarter result may be a fall given the recent pullback in dwelling consent issuance. But with dwelling sales rising dwelling consents will rise and then construction will follow. But these are early days yet. Non-residential building work improved 1.3% in the quarter after falling 15% over the previous three quarters.

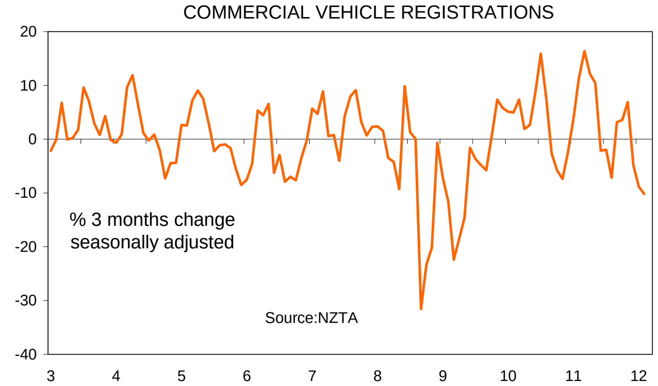
In January the number of short term visitors to New Zealand was ahead 0.5% from a year earlier making for a 2.8% gain in the three months ending January from a year before. This is quite a good result considering the high level of the NZ dollar and weakness in many source countries.

Are businesses hiring more people?
No.

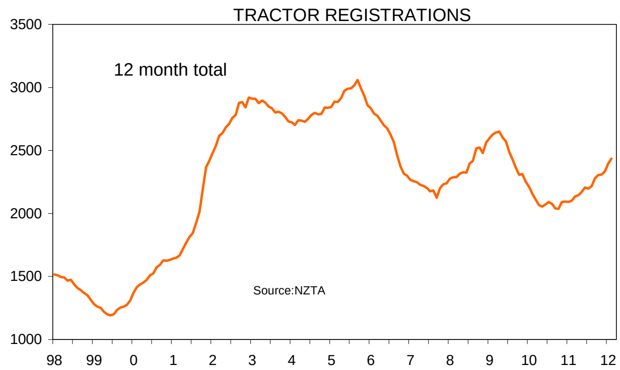
Are businesses boosting their capital spending?
For equipment yes. Buildings = mixed.
To see how businesses are feeling right now one can read our monthly BNZ Confidence Survey here. http://tonyalexander.co.nz/bnz-confidence-survey/

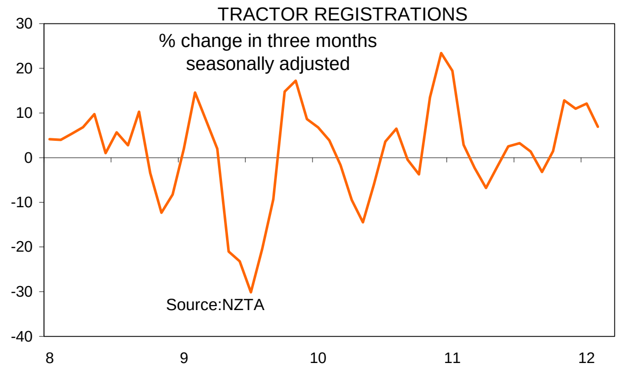
Businesses registered 1,801 commercial vehicles in NZ in February which was a rise from February 2011 of almost 4%. In seasonally adjusted terms over the three months to February regos were down 10% from three months earlier. Therefore the data suggest weakness in this particular area of capital spending.





In February there were 180 tractors registered around New Zealand. This was a 31% rise from February 2011 and near 5% seasonally adjusted rise for the three months to February compared with the period ending November 2011. There is upward movement in this measure of farm capital spending but no fresh acceleration is necessarily underway which would lead us to conclude that farmers are about to spend up large on other capital and consumption items.





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.

They say growth acceleration is not yet certain – but it seems probable.

We saw a rise in business sentiment in our Confidence Survey this week and that implies a more positive outlook for capital spending and employment. But given that the relationship between sentiment, intentions, and actions appears to have structurally weakened we see no reason for breaking out the champagne to celebrate strong growth just yet.

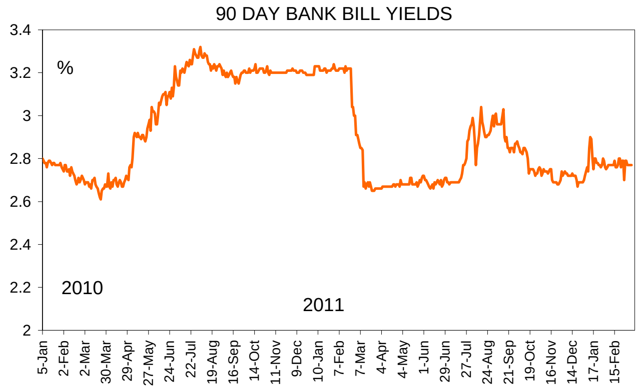
INTEREST RATES

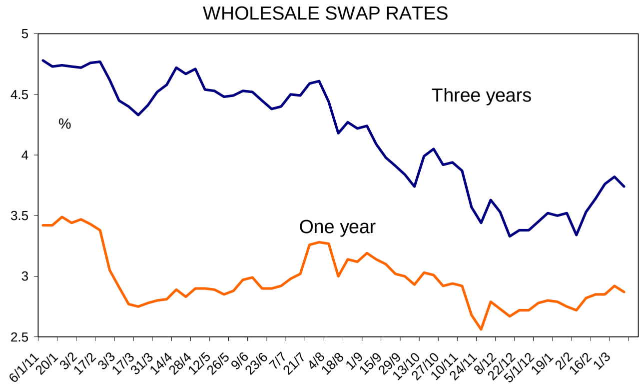
Interesting RB Statement This Morning

The Reserve Bank reviewed its official cash rate this morning and as had been universally expected left it unchanged at 2.5%. The tone of their comments regarding the economy were of more upbeat nature than at the last review in late January. Back then they made comments such as "…the global economy remains fragile and risks to the outlook remain…. In the domestic economy we continue to see modest growth" This time they said "**The domestic economy is showing signs of recovery. Household spending appears to have picked up over the past few months and a recovery in building activity appears to be underway. That recovery will strengthen as repairs and reconstruction in Canterbury pick up later in the year. High export commodity prices are also helping to support a continuing recovery in domestic activity**."

Both times they noted the suppressing effect on exporter returns of the high NZD though this time around were stronger in their expressions of concern about the currency.

All up the comments were a tad more hawkish than the markets were expecting, growth forecasts were lifted sightly as noted on page 2 above, and on the face of it one would have expected wholesale interest rates to creep up a tad. But the opposite happened because much as the RB made more positive comments they also lowered quite substantially their forecast track for interest rates. In the last Monetary Policy Statement released in early December the RB forecast that by the end of 2012 90-day bank bill yields would be at 3.6% then reach 4% come the end of 2013. Those forecasts are now just 3.0% and 3.3%.





The change for 2013 is quite substantial and if anything feeds into the view we have been expressing here that inflationary pressures in New Zealand are weak and the RB will be reluctant to tighten monetary policy for a long time. In fact their forecasts imply that the first tightening comes before the end of the year but that there is then only one more rate rise over 2013.

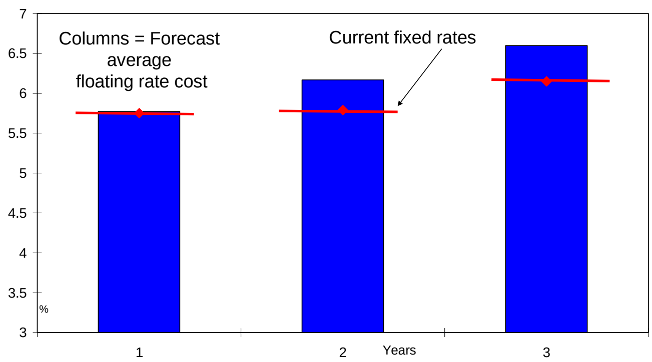
FINANCIAL MARKETS DATA

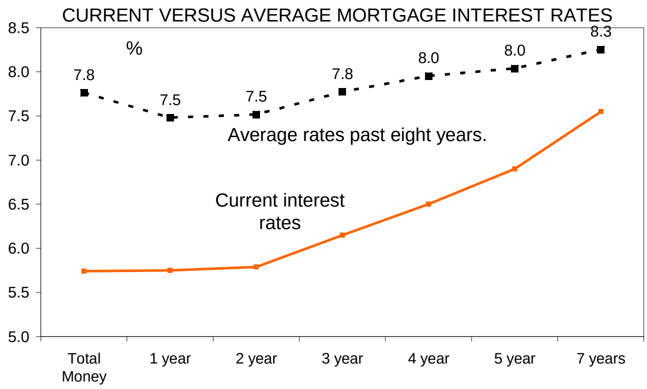
	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	2.50%	2.50	2.50	2.50	3.00	5.4
90-day bank bill	2.77%	2.79	2.76	2.74	2.85	5.7
1 year swap	2.87%	2.91	2.82	2.73	2.77	5.8
3 year swap	3.31%	3.39	3.10	3.06	3.77	6.1
5 year swap	3.74%	3.86	3.53	3.53	4.40	6.3
180-day term depo	4.50%	4.50	4.50	3.60	4.90	5.7
Five year term depo	5.85%	5.85	6.00	6.00	6.75	6.4

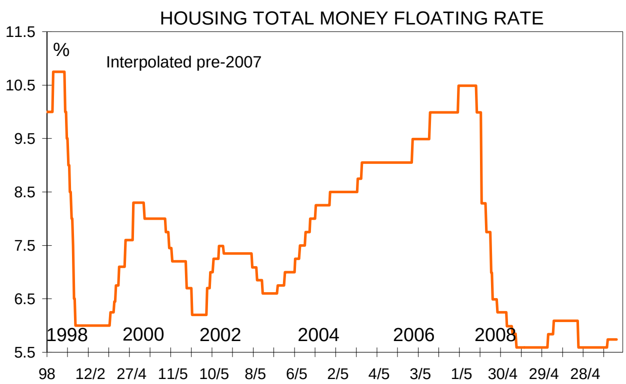
If I Were a Borrower What Would I Do?

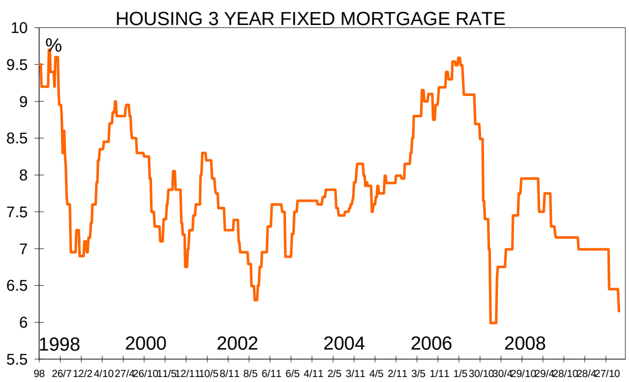
I would move from floating to fixing three years – discussed in depth three weeks ago. But as noted then this is not a change based upon any view that interest rates are about to shoot upward. Floating rates are going to barely budge this year if move at all. Instead my comments are directed to those people who have been wanting to fix because of the security it offers but have been put off by the sharp increase in interest rate one must pay. Now the gap between floating and fixed interest rates is probably the lowest it is going to be for a long time with the gap between floating and fixing three years at just 0.41% compared with 1.4% in November.

So I would fix three years based not on fears of rates jumping up but because for a low price I get to sleep easy for three years unconcerned about inflation. If you have a view that floating rates do not rise for two years then think about whether you stay floating at 5.5.74% or pay 0.05% more to fix two years at 5.79%. Or for just 0.01% more you can fix one year at 5.75%. Actually in that vein it pays to note that some one year fixed rates are currently below floating rates.







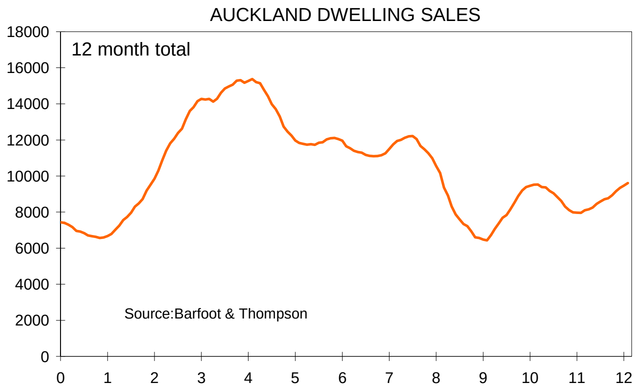


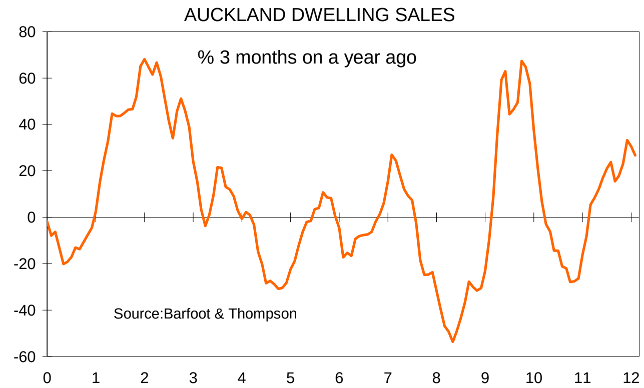
HOUSING MARKET UPDATE

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

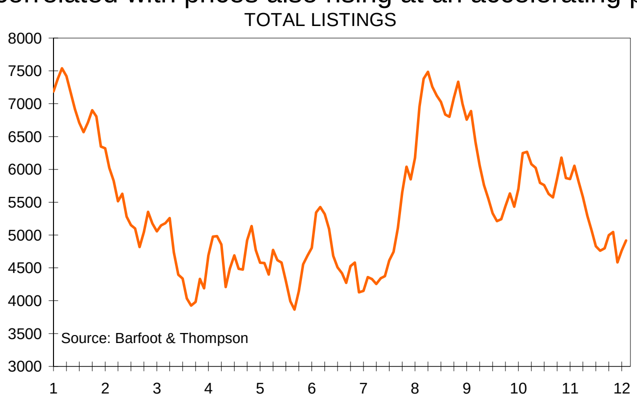
Auckland Market Improving - Slowly

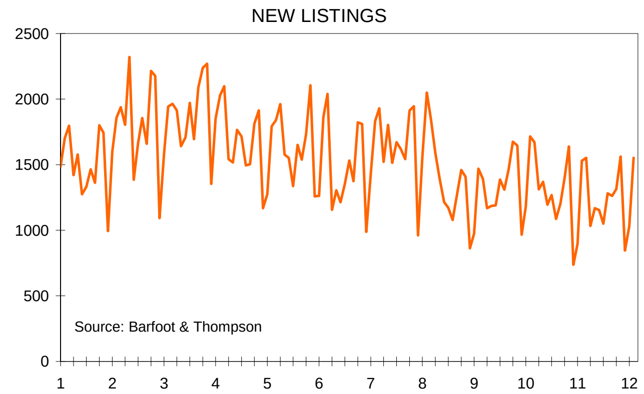
Barfoot and Thompson this week reported that in February they sold 764 dwellings. This was a 23% rise from a year ago which followed a 21% rise in January. In seasonally adjusted terms sales were ahead about 6% from January and were about flat for the three month period ending in February. We read that as saying that sales are drifting up but not at a newly stellar pace.



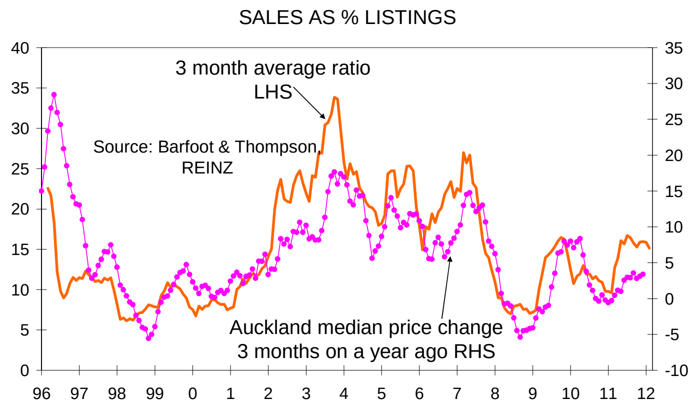


The number of properties on their books at the end of February stood at 4,917 which was a 19% decline from a year earlier. New listings received during the month totalled 1,552 which was just 2% more than for February 2011. These numbers show very little if any alleviation in the shortage of listings is underway. In fact given that sales are rising the ratio of sales to listings continues to drift up. This sort of movement is correlated with prices also rising at an accelerating pace.



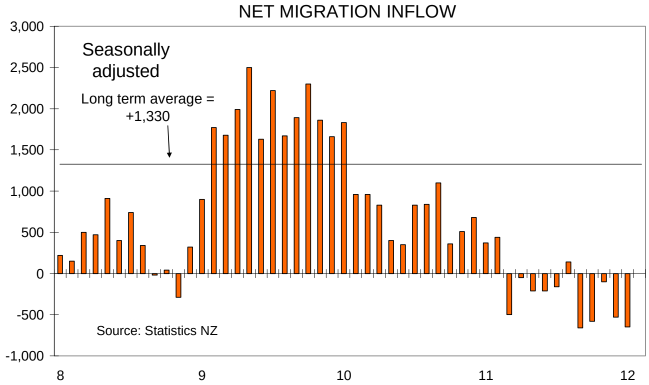


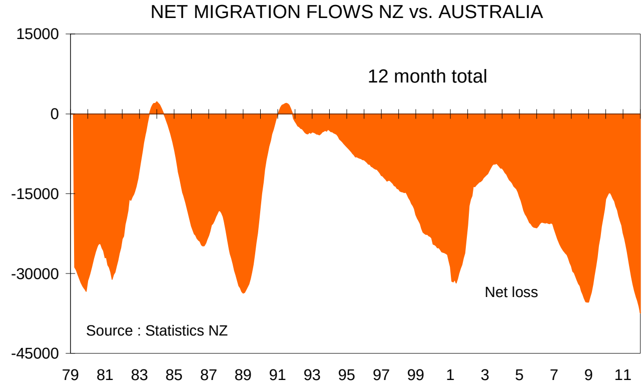
The median dwelling sales price edged up to $536,000 from $529,000 in January which was a small 2.7% rise from a year earlier. Prices are rising at a very slow pace.



Migration Flows A Drag

There was a seasonally adjusted population loss from migration in January of 650 people. This compared with a 530 loss in January and 100 loss in December and means the annual unadjusted net migration flow has worsened now to -3,134 from 8,689 a year ago and a recent peak of 22,588 in January 2010. The deterioration in the past year results from arrivals rising 1.4% but departures rising 17.6% or some 12,980 people. The gross outflow to Australia has increased 13,050 over the past year to reach 51,279 with a net annual loss of a record 37,433. Thus the draw of Australia accounts for all of the extra outflow over the past year.





The reduced rate of population growth implies some lessened support for the housing market. But we retain our key point that it is less outright population growth affecting the housing market these days than a simple shortage of property and increasing awareness of that shortage. This latter factor is important but note that the shortage is largely an Auckland phenomenon.

Monthly BNZ Confidence Survey Results

For those readers who may have missed them, here are the comments on residential real estate submitted by people responding to our monthly Confidence Survey.

Real Estate – Residential

- Residential real estate Auckland Eastern Suburbs. Sudden explosion of buyer enquiry in the mid price range ($750,000 to around $1.2 million). 160 groups thru 1 home in 3 weekends resulted in 7 bidders at auction (it sold) ... But prices no more than firm.
- Real Estate Wanaka: active. Numerous buyers (first time buyers, holiday home buyers from Southland, Canterbury and Dunedin plus some Australian buyers). Stock levels are declining. Feels like the long term downward trend in prices may be showing signs of finding a bottom. A recovery in house prices (even a small one) should make consumers feel better and lift the economy.
- Real Estate, Auck Eastern Beaches, same old story with few sales taking place but for good prices and quite quickly. I think the market is strengthening in a slow ordered and sustainable fashion. Hope inducing for the economy in general.
- Things starting to gain momentum - now seeing multi-offers and sales in first week on market, not seen for several years.
- Property - February was very busy with heaps of new listings in the Auckland central area. All selling fast for good prices. Don't think it will abate (except for the usual slower winter months) as the market has been stagnant for a long time and pressure has built up.
- Property - encouraging lift in buyer activity with owner occupier demand and sales increasing steadily. Quality listings remain in short supply and now is a good time for sellers of quality homes. Interest rates favour first time buyers with lowered deposit requirements reported.
- Real Estate - Really busy. Lots of new buyers entering the market. Currently a shortage of listings
- Real Estate Auckland City fringe. Climbing steadily but still a way to go before reasonable turnover levels are regained.

- Residential Real Estate Pakuranga/Howick. A few more properties trickling onto the market but vendors asking higher prices; a steady stream of sales but not back to 'normal' volumes yet, buyers not prepared to pay excessive prices so gap between asking price and actual sale price widening.
- Real Estate North Shore Auckland. Things are booming lots more listings and a lot of buyers. Good run of deals going unconditional as well.
- Real Estate. Steady but by no means spectacular. Business there for those prepared to put in the work.
- Residential Real Estate - Nelson. Noticeable upturn in number of buyers prepared to make decisions. Listings easier to come by, feels like the brakes have been let off compared to recent past market.
- Hawkes Bay Real Estate - active residential market currently mainly in the lower to mid value ranges. Top end properties and rural residential and lifestyle blocks slow.
- Real Estate Industry in property management on North Shore in Auckland a frantic month in February but a lot more docile now in March suspect a lot of seasonal movers have been satisfied
- Real Estate, Auckland, Good buyer demand with plenty of sales occurring.
- Real Estate . Steady as she goes with buyers waiting for the right properties and acting quickly when they appear.
- Hamilton real estate has shown a big lift in sales this month. Stock shortage in many areas.
- Residential and Rural Real estate Napier Rural sales very quiet no changes there. Residential after a busy January settled to a less than average February. Buyers are out there but taking time to choose and not being pushed to purchase. Multi offers becoming more common on particular properties.
- Residential Real Estate Tauranga Continued improvement signs recorded increase listings agreements sales in under $400,000 market shortage of stock in this area appearing. Not huge but noticeable
- Real Estate - Auckland region. Sellers have switched into "greed is good" mode. Big percentage of auctions failed to sell at the large scale auction events held in Auckland in the last week of February.
- Real estate in Gisborne. Activity is picking up. Great to see sales above $300k selling again. Gisborne is gradually finding a new "normal!" ie. people who need to sell are accepting that market value is less than they hoped.
- Real estate Mount Maunganui we have had 3 sales over the last 2 months on apartments over $2m which we haven't seen for a year
- Real Estate, Invercargill, steady, but still pressure on prices.
- Positive signs, increased buyer numbers at open homes. Notable increase in sellers testing the market. The Apartment market values finally appear to be breaking free and clearing the endless price plateau.
- Residential Real Estate, Hamilton City. Positive market activity continuing so far. Good number of active buyer and more entering the market every week. Mainly first home buyers however a good spread overall. Keen but cautious. New listings still thin on the ground in comparison to sales levels however well presented properties offering "good value" are selling in days rather than weeks.

Property Management

- (Residential property investor, upper North Island) Rents are rising each time I have to change a tenant. Usually get between $10 and $25 at each increase.
- Real estate. No growth in property management sales steady slow. noticing increased C & I vacancy
- Real Estate. Best start to the year in 2012, when comparing it to the last four years. Our company has just set a new record in Property Management by renting out 46 properties in February alone.
- Rental Properties. Fully tenanted, EQC repairs taking an age and no sign of much improvement. Insurance and rates increases not yet passed on to tenants, but will happen this year at some point. Rental prices are rising in the general market as demand for good, lightly damaged properties is high.
- Property Investment ChCh & Akld - residential; good increases in rents of around 10% for new yearly leases. Commercial retail; steady tenants in well located areas, poorly located have persistent vacancy. Lots of buyer interest in apartment market, solid rents.
- Residential rentals. Hibiscus coast. Unbelievably crazy. Listed one for 24 hours only. 40 calls. 20 applications. 15 viewed. 10 tenants wanting to sign up. Offers of more than asking rent. Offers to pay 6 months up front. Listening to stories of tenants desperate to rent. Summary, too many bums, not enough seats!
- Residential rental Christchurch. Very strong level of inquiries for tidy properties even in the east. Easy to get increased rent.
- Rentals doing ok.

MAJOR OFFSHORE ISSUES

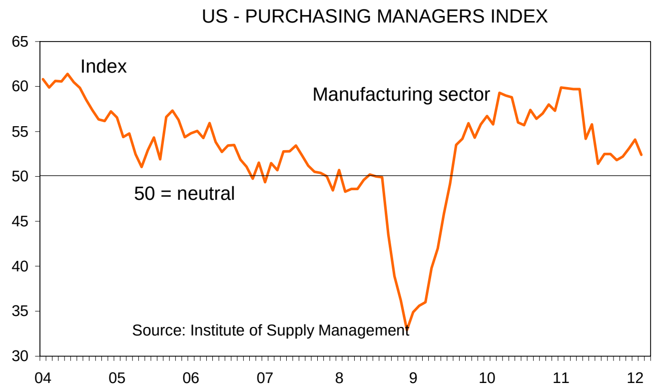
European Debt

Tonight we shall find out if enough Greek bond holders have voluntarily agreed to swap their debt for longer term bonds which will in the end see over 50% of the face value wiped out. If not enough agree then Greece may default and attention will turn to Portugal – then Spain, then Italy…

United States Growth

All attention for the moment is on the contents of the monthly non-farm payrolls report which is due out on Friday night. An increase in job numbers of some 210,000 is expected and if confirmed will see more benefit of the doubt being given to the improving US growth scenario. This will tend to boost US share prices, wholesale interest rates, and lift the NZ dollar on the back of improving risk sentiment.

But early this week we learnt that the monthly Purchasing Managers Index for manufacturing dipped more than expected in February to a reading of 52.4 from 54.1 in January. The result bespeaks of manufacturing output growth – but not much of it.



Australian Growth

The key factor underpinning growth in Australia's economy and causing the exchange rate to be high is the boom in the mining sector. But it is not just the digging out of the ground of things boosting growth but the massive investment being undertaking by the sector. This year capital spending from the resource sector is expected to be 85% up from a year ago then rise another 62% the following year to account for a full 10% of Australia's GDP!

Yet in spite of this boom the Reserve Bank of Australia left its cash rate unchanged at 8.25% this week. That is because some sectors of the Australian economy are extremely weak – manufacturing, tourism, export education, retailing and housing. The RBA noted that things have become less worrying in Europe, the United States and even China, but left the door open for another cut in their cash rate beyond the two 0.25% reductions already implemented should circumstances require it.

One of those circumstances could be banks passing on higher funding costs in higher mortgage rates even though the cash rate is not shifting. The RBA have repeatedly acknowledged that bank funding costs are rising independent of the cash rate (though facts don't appear to dissuade the increasingly perceived to be anti-business Federal Treasurer from attacking banks when the mood takes him). That means that given that the target of monetary policy is bank lending rates and not the official cash rate as such, if funding costs keep rising and lending rates continue having to be pushed higher, the RBA will need to cut its cash rate in order to deliver the bank lending rates it considers optimal for the inflation outlook.

The chances of a cut actually increased yesterday, one day after the rate decision, when December quarter GDP numbers came in much weaker than expected. The general expectation had been that the Australian economy would be shown to have grown 0.8% during the quarter. In reality it only improved by 0.4% and the previously reported 1% rate of growth during the September quarter was revised down to 0.8%. The rate of growth for the entire year was 2.3%

China

Chinese economic developments will now be covered in our new publication "Growing With China", the next issue of which will appear on March 20. If you wish to receive this monthly then please email me specifying your name, company name, and connection with China. Tony.alexander@bnz.co.nz

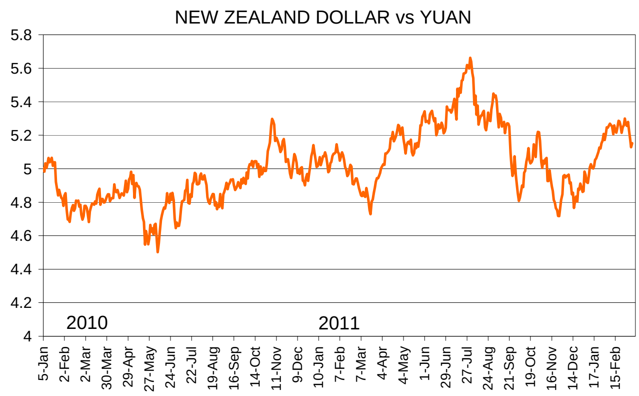
Exchange Rates

Exchange Rates	This Week	Week ago	4 wks ago	3 Mths ago	Yr ago	10 yr average
NZD/USD	0.816	0.835	0.835	0.780	0.737	0.67
NZD/AUD	0.771	0.777	0.774	0.761	0.728	0.85
NZD/JPY	66.200	67.600	64.200	60.600	60.5	69.6
NZD/GBP	0.518	0.525	0.525	0.496	0.456	0.388
NZD/EUR	0.621	0.626	0.630	0.582	0.527	0.52
NZDCNY	5.153	5.256	5.269	4.965	4.837	4.99
USD/JPY	81.127	80.958	76.886	77.692	82.090	105.7
USD/GBP	1.575	1.590	1.590	1.573	1.616	1.72
USD/EUR	1.314	1.334	1.325	1.340	1.398	1.28
AUD/USD	1.06	1.07	1.08	1.02	1.01	0.788
USD/RMB	6.3147	6.2948	6.3105	6.3651	6.5631	7.56

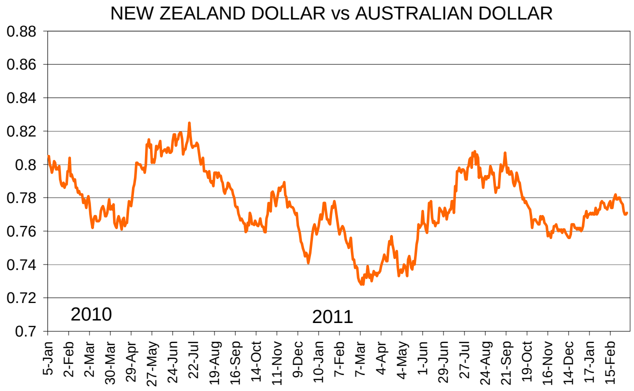
Kiwi Drops Two Cents

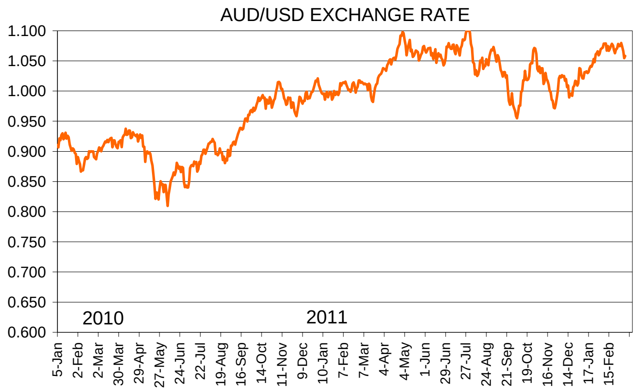
The Kiwi dollar has dropped across the board this week bringing declines against the greenback to 2.5 cents compared with a week and a half ago.

An initial factor causing the NZD to ease this week was a cutback in China's GDP growth rate target this year to 7.5% from the previous 8%. People got quite excited about the implications for commodity prices. But they forget perhaps that in March last year the 12th Five year Plan included a target of annual GDP growth at 7.0% down from 8.0% in the 11th Plan. Plus over the period of the 11th Plan growth in fact averaged not 8% but 10.4%. The 7.5% announcement by Premier Wen Jiabao is best viewed not as a stretching target as we understand it in the West, but a floor above which growth will be kept. Anything less would involve a substantial loss of face for many people.



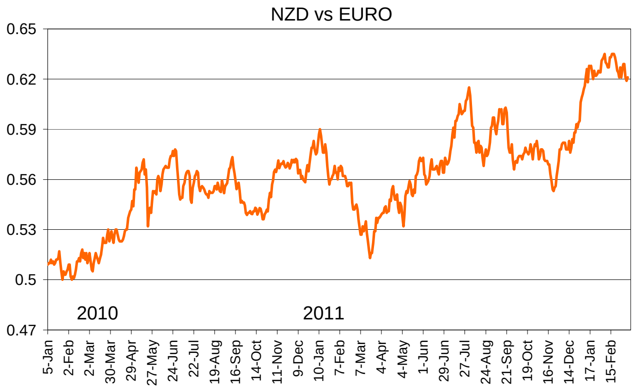
However the biggest source of downward pressure on the NZD was a bout of heeby geebies regarding Greece and its ability to get enough bond holders to agree to debt write-offs to avoid technically slipping into default. Higher risk avoidance by investors meant general selling of risky assets on Tuesday night in particular when the Dow Jones share index for instance shed 204 points and the Aussie dollar dropped a cent against the resurgent greenback for the fourth night in a row. That decline in the AUD then continued when December quarter GDP data printed much weaker than expected. The Australian economy grew only 0.4% in the quarter and not the 0.8% markets had expected. The previous quarter's growth rate was also revised down by 0.2%.

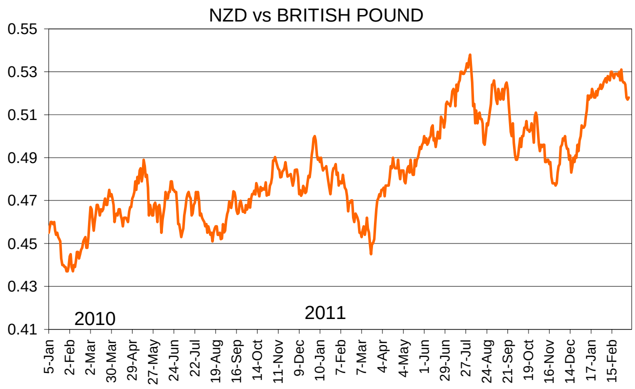


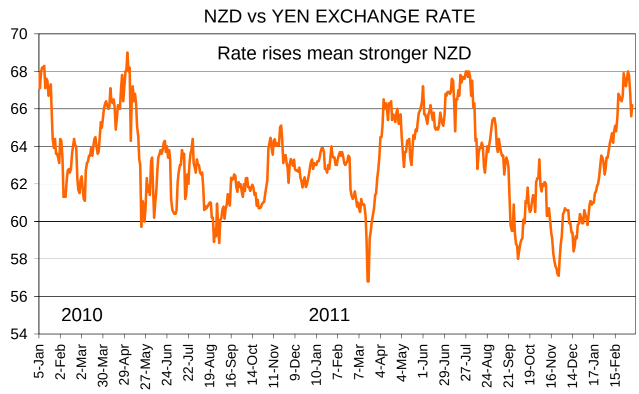


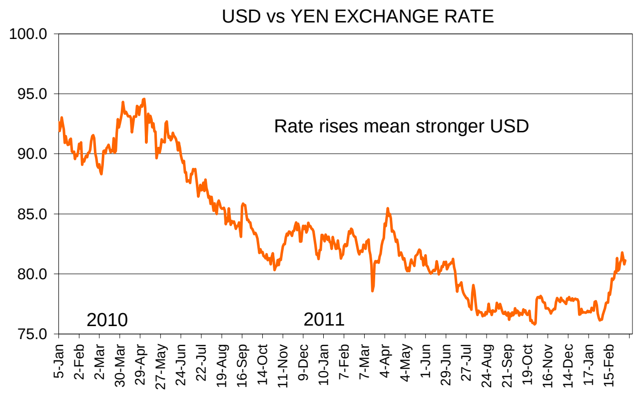
The greenback this week has risen on the back of investors seeking a short term safe haven. The Yen however this time around did not garner safe haven buying and it weakened against the greenback to its lowest level in nine months while against the Yuan the USD has fallen to six week low.

This morning the Kiwi dollar shed about 0.2 cents after the Reserve Bank lifted their growth forecasts but cut their inflation track and forecast interest rates.









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%	6.3	6.6	......	6.7	6.9
Jobs growth	Average past 10 years = 1.9%	0.2	0.2	1.6	1.3	-2.2
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%.	2.9	2.6	4.0	1.9	-1.0
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	-1,855	773yr	......	10,451	22,253
Tourism – an. av grth	10 year average growth = 3.2%. Stats NZ	2.9	1.2	2.9	2.8	-0.0
		Latest year rate	Prev mth year rate	6 mths ago	Year ago	2 yrs ago
Business confidence	BNZ survey	27	13	36	-12	35
Consumer confidence	ANZ-Roy Morgan 100=neutral	113	116	113	108	124
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.

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	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