

NEW ZEALAND ECONOMICS

ANZ PROPERTY FOCUS

NOVEMBER 2011

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MIXED MESSAGES

SUMMARY

Our monthly *Property Focus* publication provides an independent appraisal of recent developments in the property market.

THE MONTH IN REVIEW

Mixed signals continue to come from housing-related statistics, a reflection of monthly noise and complicated structural and cyclical forces. While Auckland is performing better most regions and average days to sell is declining, weak credit growth, a net migration outflow, low levels of building consents and slowly drifting house prices are indicative of a cautious market. Looking forward we expect to see the housing market continue to oscillate, lacking clear trend direction.

PROPERTY GAUGES

While low mortgage interest rates are on offer, and a low stock of property listings will provide support to prices, the housing market is unlikely to translate strongly into consumer spending. With household debt still very high, future increases in consumer spending seem likely to be income-driven rather than debt-driven as in the early 2000s.

ECONOMIC BACKDROP

Rather than focus on intra-weekly noise and "risk on" and "risk off" sentiment shifts around the globe, we prefer to focus on the underlying trends, namely heightened volatility, a downwards risk profile for the global economy, and slow growth across Western society. The NZ economy continues to display relative resilience in some areas, although we are now seeing more fragmentation across data outturns. Some of this reflects deep-rooted structural challenges, but a growing share looks to be related to the global scene. A slow grind for the NZ economy remains our core view.

MORTGAGE BORROWING STRATEGY

Fixed mortgage rates have fallen substantially in the past months, with some rates down over half a percent. However, the floating rate has not changed, and as such, the opportunity cost of fixing has fallen substantially. That said, the floating rate remains the cheapest rate, and is still over 1.5 percent below the 5 year rate. With the RBNZ on hold for at least the next 6 months, we prefer to remain floating. But with short-term fixed rates now close to the floating rate, those looking for certainty may wish to fix for a short period. Longer terms remain costly.

FEATURE ARTICLE – READING THE TEA LEAVES

Last month we detailed key structural indicators for the New Zealand economy, noting that an improvement was precursor to a decent cyclical upswing taking hold. This month we canvas cyclical indicators. While superseded by structural indicators at present they still contain useful information. We do not take prior close level correlations as a given, but respect them as indicators of baseline momentum, and look at direction changes as signals of turning points. Our timely lead indicators are pointing to momentum across the economy, but that momentum has waned.

THE MONTH IN REVIEW

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STATISTICS NZ, BUILDING CONSENTS – SEPTEMBER

Living on a prayer

The number of dwelling consents plummeted 17.1 percent s.a. in September, reversing some of the rises in the previous two months. On an ex-apartment basis, consent numbers declined 14.1 percent (s.a.). Courtesy of a strong July and August, consent numbers remain 19 percent (9.7 percent ex-apartments) higher than in the June quarter. This quarterly rebound is coming from low levels, however. Dwelling consents remain 47 percent below historical averages as a portion of the housing stock. This implies a large margin of spare construction sector capacity from which a rebound will occur, assuming all our unemployed builders haven't left the country.

RBNZ, CREDIT GROWTH – SEPTEMBER

The living channel

Household credit growth remains in the doldrums, rising only 0.1 percent (seasonally adjusted) in September. Annual growth in the series was 1.1 percent.

REINZ, HOUSING DATA – OCTOBER

You've lost that livin' feeling

Nationwide house sales fell 2.5 percent s.a., following a 3.9 percent s.a. fall in September. Now that the distractions posed by the Rugby World Cup have ended, we expect a lift in sales over November and December. Prices were roughly flat, with the REINZ House Price Index falling 0.5 percent after a 1.0 percent increase in September (seasonally adjusted). Prices are slowly edging higher, with prices in the 3 months to October up 1.5 percent on the previous 3 months (s.a.). Fewer new listings (5 percent lower than 12 months earlier) and a lower inventory of properties on offer is also supporting prices, with buyers competing for the smaller number of properties available. Consistent with this was flat seasonally adjusted median days to sale at 39 days, below the 40+ range apparent at the start of the year, but well above the sub-35 range apparent when the market was at full steam back in 2007, levels that would be consistent with more robust price increases.

STATISTICS NZ, NET MIGRATION – SEPTEMBER

Living the dream

Net permanent and long-term (PLT) migration returned to a net outflow after August's outlier small net inflow. PLT arrivals fell 5.5 percent s.a. whereas departures rose 5.1 percent s.a, driven by a 4.4 percent rise in PLT departures to Australia. Annual net PLT immigration slowed to 773 persons (vs. 2,867 in August), the lowest net annual inflow since September 2001. In the year to September, there was a net outflow of nearly 46,000 persons to Australia.

RBNZ, MORTGAGE APPROVALS – LATEST AVAILABLE (EARLY-NOVEMBER)

Living and giving

Excepting the Labour Day holiday, weekly mortgage approvals have remained at a range of between 5,200-5,600 for the past three months. After a flat path since August, the value of mortgage approvals has ticked up in two of the past three weeks, sandwiching a weaker outturn over Labour Day weekend.

PROPERTY GAUGES

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We use ten gauges to assess the state of the property market, and look for signs that changes are in the wind.

AFFORDABILITY. For new entrants into the housing market, we measure affordability using the ratio of house prices-to-income (adjusted for interest rates), and mortgage payments as a proportion of income.

SERVICEABILITY / INDEBTEDNESS. For existing homeowners, serviceability relates interest payments to income, while indebtedness is measured as the level of debt relative to income.

INTEREST RATES. Interest rates affect both the affordability of new houses and the serviceability of existing mortgage payments.

MIGRATION. A key source of demand for housing.

SUPPLY-DEMAND BALANCE. We use dwelling consents issuance to proxy growth in supply. Demand is derived via the natural growth rate in the population, net migration, and the average household size.

CONSENTS AND HOUSE SALES. These are both key gauges of activity in the property market.

LIQUIDITY. We look at growth in private sector credit relative to GDP to assess the availability of credit in supporting the property market.

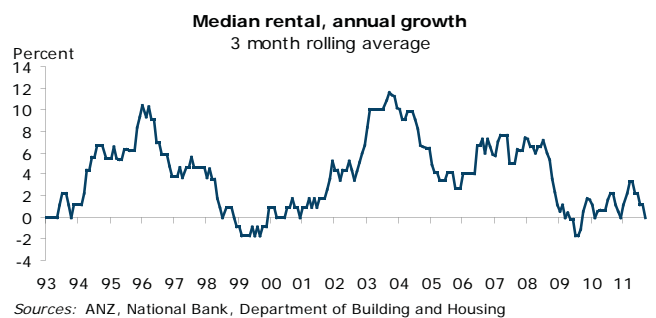
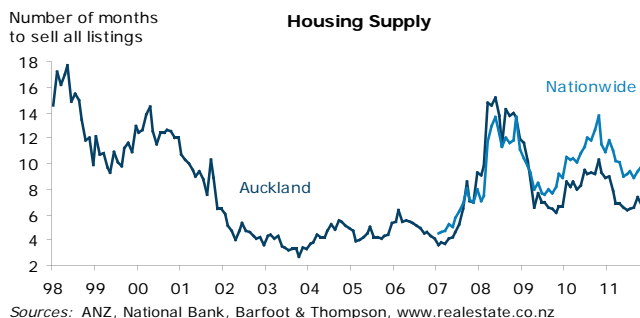
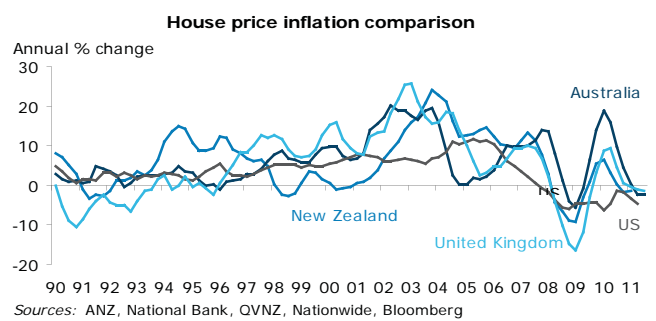
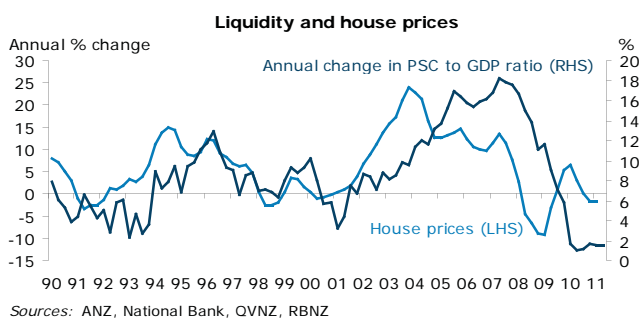
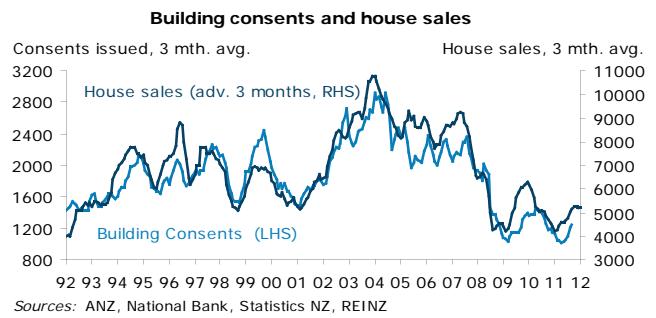
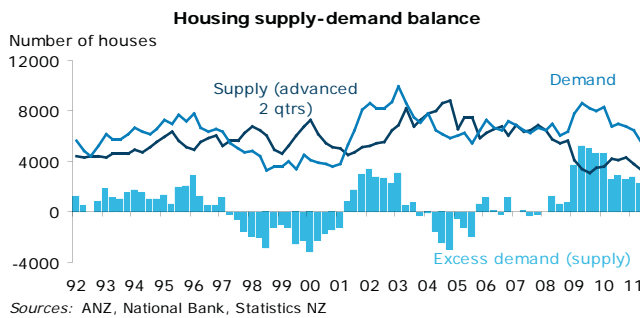
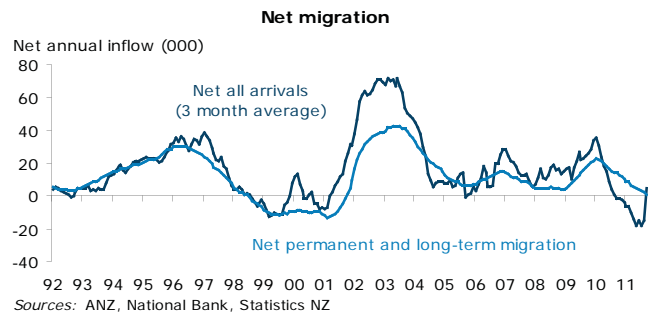
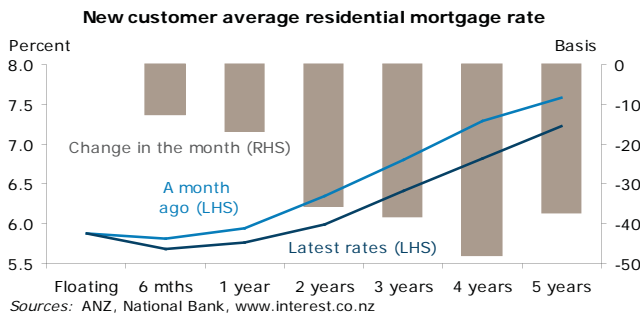
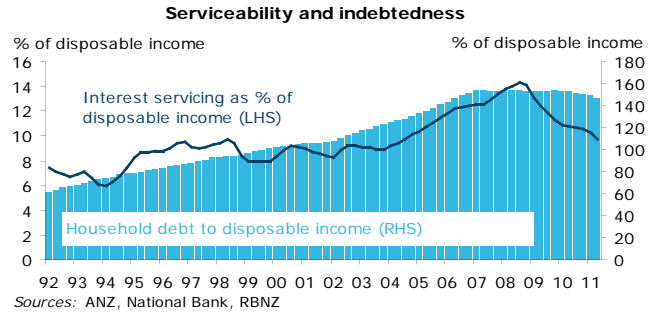
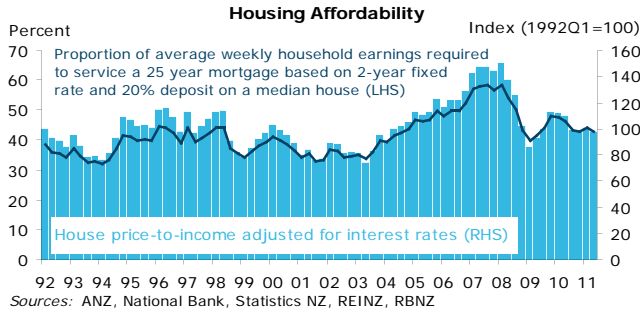
GLOBALISATION. We look at relative property price movements between New Zealand, the US, UK and Australia in recognition of the important role that globalisation is playing in NZ's property cycle.

HOUSING SUPPLY. We look at the supply of housing listed on the market, recorded as the number of months needed to clear the housing stock. A high figure indicates that buyers have the upper hand.

RENTAL GROWTH. We look at growth in the median market rent as an indication of whether it is a better time to buy versus rent, and how rental yields are shaping up for the property investor.

Indicator	Level	Direction for prices	Comment
Affordability	Flat	↓	Little change in affordability over the past nine months.
Serviceability/ indebtedness	Shrinking debt	↓	Getting our balance sheet in order still a major headwind for the property market.
Interest rates	More of the same	↔/↑	A fall in fixed mortgage rates due to global concerns.
Migration	Small outflow	↓	Migration outflows continue.
Supply-demand balance	Easing wedge	↔/↑	Lower demand and supply, and a sizable gap persists.
Consents and house sales	Uppish	↔/↑	Weaker in September but three month average has lifted slightly.
Liquidity	Slight increase	↓	Low borrowing growth, at a time that the economy is slowly expanding.
Globalisation	Slipping	↔/↓	Weaker tone in global prices.
Housing supply	Upward	↔/↑	Listings remain tight in Auckland, with house prices firming too.
Median rent	Flat	↑	Little change detected.
On balance	Cross-eyed	↔	Fragility of the global economy to the fore

PROPERTY GAUGES



ECONOMIC BACKDROP

SUMMARY

Rather than focus on intra-weekly noise and “risk on” and “risk off” sentiment shifts around the globe, we prefer to focus on the underlying trends, namely heightened volatility, a downwards risk profile for the global economy, and slow growth across Western society. The NZ economy continues to display relative resilience in some areas, although we are now seeing more fragmentation across data outturns. Some of this reflects deep-rooted structural challenges, but a growing share looks to be related to the global scene. A slow grind for the NZ economy remains our core view.

OUR CORE ECONOMIC VIEW

Global events continue to dominate the local scene. Tail risks from a global slowdown remain prevalent, with continued concerns about the European debt situation pointing to a slowdown in trading partner growth. Deleveraging (debt reduction) has always been a precondition to the global economy returning to a sustainable recovery path. However, there is now **more debt in the global economy than prior to the 2008 event**, with lower private sector debt offset by a massive rise in government debt.

International policymakers are of course trying to minimise downside risks but there is only so much they can do. Fiscal policy is impotent given the huge amount of government borrowing already going on. Interest rates are near zero in most major OECD nations. A host of countries have instigated quantitative easing (so-called printing of money). In fact Japan has been doing it for 20 years. The US has done it not just once, but twice, and speculation we could see a third crack. Sugar pill solutions haven't worked so we're not sure why they would suddenly gain traction.

This is the harsh reality in which we now reside. The news is not all downbeat. Some regions such as China continue to perform well, though cracks are appearing. However, as the RBNZ point out in their November Financial Stability Report, *“Risks to the New Zealand economy and financial system have increased....stresses created by weak growth and the overhang of substantial public and private debt have intensified”.*

We continue to eye key transmission mechanisms to NZ including commodity prices, the currency, confidence and funding costs.

- Commodity prices are 8 percent off their May peaks but remain elevated. Demand is flaky, but shortage of supply is helping to keep prices up for the goods New Zealand sells.

- The NZD is performing more somersaults than a gymnast but it's still moving in line with risk sentiment. This means “risk-off” or nervousness pushes the NZD down, which, ironically, helps a small exporting nation out.
- Confidence has declined and we are starting to see more cautious tones, though the level remains solid. NZ appears somewhat lucky in that a large one-off event in the form of the Rugby World Cup provided feel-good support during a period of heightened uncertainty.
- Funding costs remain at elevated levels, but this “cost” is more theoretical than real for now.

Against this backdrop the New Zealand economy is actually performing okay. We're seeing growth, albeit somewhat patchy, a bit of debt is being paid down, some spending is going on and we're earning a bit more. It's respectable and orderly, though somewhat grumpy. Given the global scene the term “okay” is probably a sign of resilience.

However, the tenor of NZ data is becoming more dichotomised. While positive momentum remains, we are starting to see early signs of waning momentum in leading gauges. The Rugby World Cup appeared nicely timed to fill a hole in underlying momentum and keep confidence robust – though domestic retail is likely to be weaker in the RWC aftermath. Growth in early 2012 is likely to be sluggish with a lull between the Rugby World Cup and the stepping up of earthquake reconstruction work. The labour market is holding up, with official unemployment benefit numbers lower than a few months ago, and hours worked and employment outside of Canterbury strengthened in Q3. However, official figures lag, and job ads are now declining – a worrying sign. **We continue to expect a sustained period of heightened volatility** and a subdued trend rate of growth for the NZ economy against the backdrop of cyclical support mechanisms facing off against structural headwinds.

We noted in last month's key research piece that a material **improvement in key structural indicators was a prerequisite to a sustained improvement in New Zealand's economy.** This remains a key anchor behind our economic view. There remains a long way to go on this front. **In the glass-half-full interpretation of current events, increased savings** as a result of nervousness about the global situation **would hasten necessary structural adjustment**, albeit at the cost of near-term growth. **But the danger is that our income-generating capacity is damaged** by lower commodity prices, making the structural adjustment harder.

MORTGAGE BORROWING STRATEGY

SUMMARY

Fixed mortgage rates have fallen substantially in the past months, with some rates down over half a percent. However, the floating rate has not changed, and as such, the opportunity cost of fixing has fallen substantially. That said, the floating rate remains the cheapest rate, and is still over 1.5 percent below the 5 year rate. With the RBNZ on hold for at least the next 6 months, we prefer to remain floating. But with short-term fixed rates now close to the floating rate, those looking for certainty may wish to fix for a short period. Longer terms remain costly.

OUR VIEW

Wholesale interest rates have fallen dramatically over the past few weeks, **paving the way for the first cuts in fixed mortgage rates since the RBNZ cut the OCR in March.** Longer term rates have been cut by the most, but because the OCR has not fallen, **the floating rate remains unchanged.** As a result, the “step up” or opportunity cost of fixing is now much lower than it used to be. But does make fixing worthwhile? We are not entirely convinced – especially when we consider costs alone. **Of course, as we stress regularly – cost is only one part of the equation. Certainty has a value – and because the step up to fix has fallen, the cost of certainty has just dropped.**

If we ignore the benefit of certainty (which is qualitative and thus difficult to quantify), we believe **3 things matter when it comes to the question of whether it is worthwhile fixing. They are (1) the immediate cost; (2) the likely overall cost; and (3) the flexibility one gives up if one chooses to fix.**

The first consideration is the easiest to answer. Indeed, **at the moment, floating is the cheapest rate. But it is not the cheapest by much, thanks to falls in the 6 month and 1 year rate.** At face value, this suggests that some of the shorter term fixed rates may be worth considering, especially if considerations (2) and (3) lend support to them.

That being the case, what is the overall cost likely to be? Without being able to perfectly predict the future, we cannot say for sure. **But we can use breakeven analysis, as we do every month, and turn the question on its head. That is, we ask where interest rates need to go in order to make fixing beneficial,** and then compare those levels to our forecasts or expectations.

What we find from our tables is that breakeven levels have fallen dramatically when compared to last month – as the table below shows. Broadly

speaking then, this suggests that the “hurdle” to fixing has fallen. **In other words, we wouldn’t need to see rates rise by as much to make fixing worthwhile.** The question is – how much?

Mortgage Rates		Breakevens			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	5.74%				
6 months	5.75%	5.83%	6.39%	6.39%	6.99%
1 year	5.79%	6.11%	6.39%	6.69%	7.17%
18 months	5.99%	6.20%	6.59%	6.91%	7.40%
2 years	6.09%	6.40%	6.78%	7.15%	7.61%
3 years	6.45%	6.80%	7.20%	7.58%	8.02%
4 years	6.85%	7.21%	7.62%		
5 years	7.25%				

As an example, let’s say perhaps that we were choosing between 2 likely alternatives – the 6 month and the 1 year. Based on a 1 year horizon, our table shows that the 6 month rate only needs to be 5.83% or more in 6 months for it to be cheaper being on a 1 year. That’s not much given that the 6 month rate is just 5.75% right now. On that basis, **the premium to fix for 1 year seems small – especially as we do expect the RBNZ to be lifting rates in the middle of 2012.** Obviously the premium to fix for 6 months is also small – as the rate is just 0.01% above floating. However, when we look at longer horizons, we see that rates need to move up a little more quickly. Breakevens would thus seem to support shorter fixed terms. Of course, if we see the RBNZ cut rates – a low probability outcome but one with still a positive probability – the best place to be would be floating, assuming no change in bank margins.

What about flexibility? The main risk here is that rates fall after you fix, or you are fixed when a special comes out, or your fixed rate expires just as rates are starting to rise. There is no way to predict this, but it is probably obvious that the longer you fix for, the less flexibility you have. We like the savings floating offers, but **when we consider breakevens and flexibility, we believe there is value to be had in being fixed for 6 months and 1 year.**

FEATURE ARTICLE – READING THE TEA LEAVES

SUMMARY

Last month we detailed key structural indicators for the New Zealand economy, noting that an improvement was precursor to a decent cyclical upswing taking hold. This month we canvas cyclical indicators. While superseded by structural indicators at present they still contain useful information. We do not take prior close level correlations as a given, but respect them as indicators of baseline momentum, and look at direction changes as signals of turning points. Our timely lead indicators are pointing to momentum across the economy, but that momentum has waned.

FROM STRUCTURAL TO CYCLICAL INDICATORS

Last month's Property Focus feature article focused on the structural indicators regarding how the economy was tracking. The conclusion was simple: we had not yet seen sufficient improvement in structural indicators for your traditional cyclical recovery to take hold. Does this mean we should ignore cyclical barometers of the economy? Of course not. They are timely indicators of how the economy is tracking and are adept at picking turning points in the cycle.

This month's feature article takes readers through some of the key cyclical barometers we monitor, what they are saying, and their pros and cons.

KEY MEASURES

Business confidence

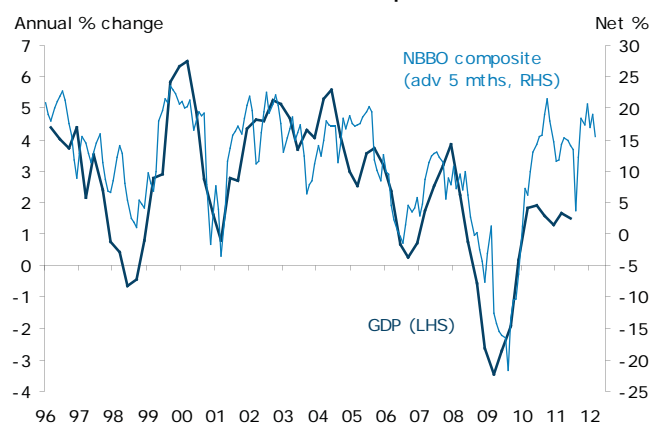
Background: We rely on both the National Bank Business Outlook (NBBO) survey and the more extensive NZIER Quarterly Survey of Business Opinion (QSBO). In both surveys we rely most heavily on what respondents think about their own business prospects as opposed to headline confidence in the economy. The latter tends to be too volatile.

Reading: The two surveys are suggesting around 3.5 percent growth over the next year.

Pros: Strong historical correlation with annual growth in GDP 2 quarters later (79 percent). Respondents' views matter, for this is real-time information, on the ground. The National Bank survey contains information on residential investment intentions too, which is timely for the property market.

Cons: Suffers from numerous biases. The way questions are structured (i.e. will conditions be better, the same or worse) means a bias can creep in after extensive economic weakness (i.e. it can't be any worse!). The surveys seem to be suffering a bit from this at the moment and are therefore overstating growth prospects.

GDP vs NBBO composite

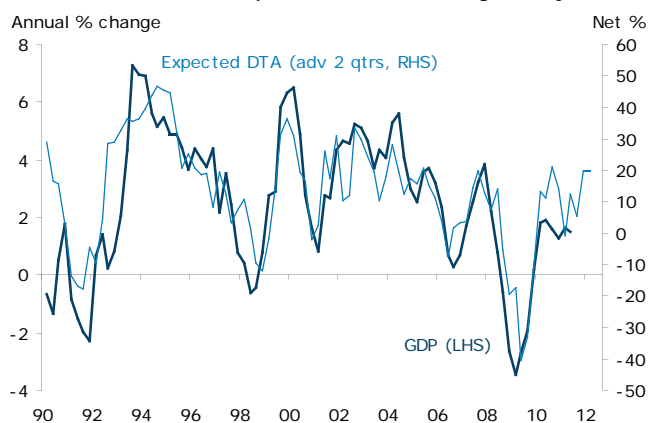


Sources: ANZ, National Bank, Statistics NZ

Consumer confidence

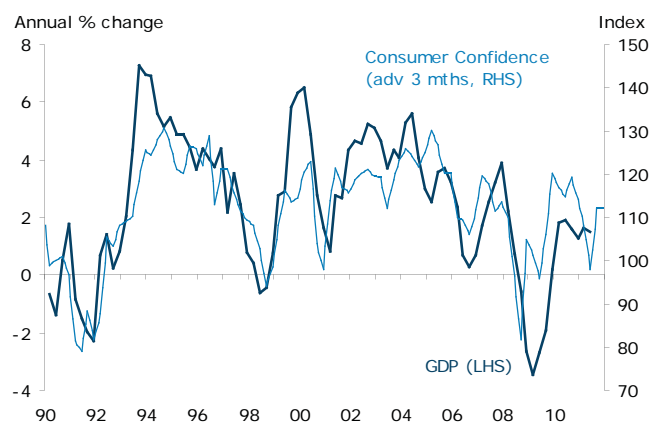
Background: We rely on the monthly ANZ-Roy Morgan consumer confidence survey. It includes a number of useful questions such as perceptions of the household's current and likely future financial position, and whether or not it is a good time to buy a major household item. It also gives a read on inflation and house price expectations.

GDP vs QSBO Expected Domestic Trading Activity



Sources: ANZ, National Bank, Statistics NZ, NZIER

GDP Growth vs Consumer Confidence



Sources: ANZ, National Bank, Statistics NZ, Westpac

FEATURE ARTICLE – READING THE TEA LEAVES

Reading: The absolute level of the index suggests continuing caution. Things are certainly better than in the early part of the year, but not sufficiently for wallets to be opened en masse. Appears to be picking the general trend in GDP better than business confidence at present though has had more misses in prior years.

Pros: The overall index has a good correlation with spending across the economy, which is the biggest component of GDP.

Cons: Consumers can overreact to headlines, causing volatility and false signals.

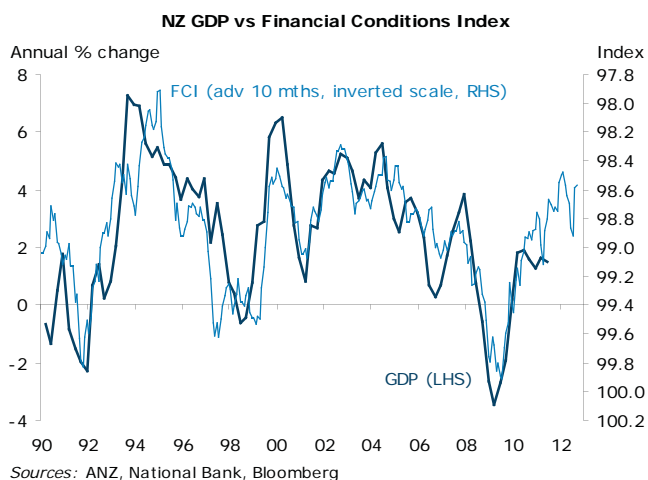
Financial conditions

Background: We construct an indicator for base economic momentum made up of financial conditions measures (the exchange rate, commodity prices, asset prices, credit growth and proxies for the cost and availability of credit).

Reading: Financial conditions remain accommodative, and are now signalling 4 percent growth by mid next year. Despite global ructions, the message provided by our FCI is still one of solid underlying momentum.

Pros: The New Zealand Financial Conditions Index (FCI) has had a close historical relationship with GDP. It tends to give a reasonable lead on turning points in the cycle, which is critical. Confidence surveys tend to be more contemporaneous. The financial system plays an increasingly important role in our economy.

Cons: A financial conditions index will not capture one-off boosts to growth such as the Rugby World Cup or fiscal policy. In addition, changes to confidence and debt super-cycles can alter the cyclical response to financial conditions.



Job ads / unemployment direction index

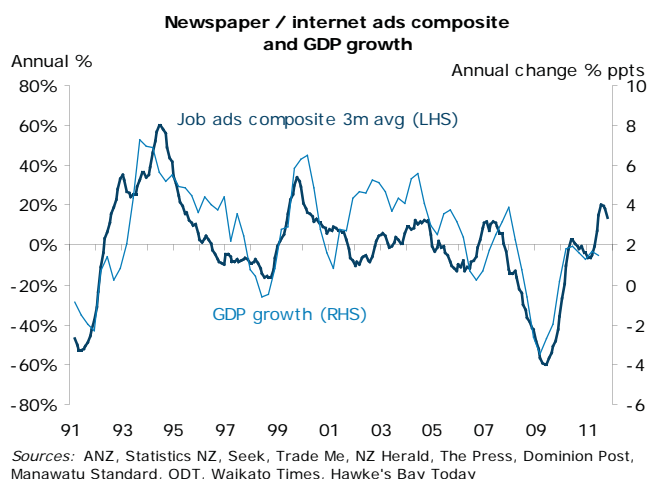
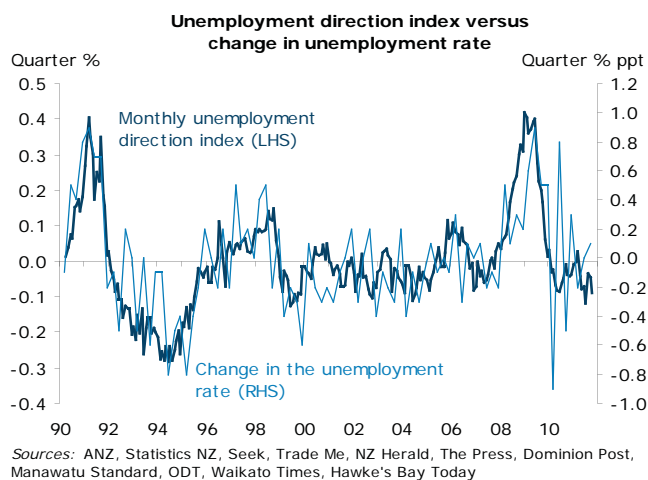
Background: The labour market is a key barometer of economic health. Jobs are needed to support spending. We publish monthly statistics on job

advertisements. We also publish an unemployment direction index that combines job ads with other monthly labour market indicators to predict changes in the rate of unemployment.

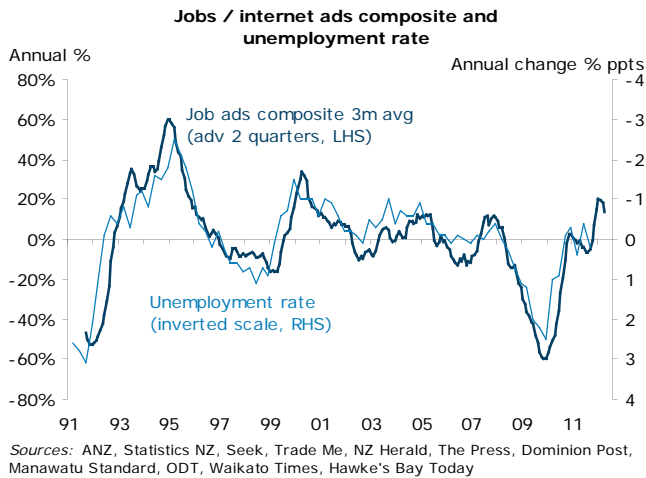
Reading: Job ads fell in both September and October, and are down more than 6 percent versus August levels (s.a.). The big unknown is whether the labour market was on hold for the Rugby World Cup, or whether the slowdown indicates something more serious. We await November data with interest. If job ads fail to bounce back, we will conclude that the labour market is weakening, likely as a result of employer nervousness regarding the global situation.

Pros: Job ads are an extremely timely indicator of demand for labour. They lead employment by 3 months.

Cons: The move over time from newspaper to internet-based job advertising, and not one-for-one, introduced a “structural break” into the series that caused historical correlations to break down. However, the structure of the advertising market now seems to have stabilised sufficiently that movements in the series are again informative.



FEATURE ARTICLE – READING THE TEA LEAVES



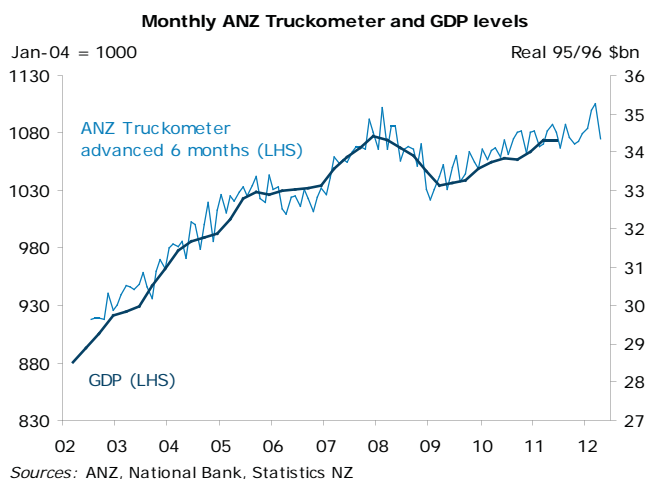
Traffic volumes

Background: We create an index from traffic volumes at key sites around New Zealand. It gives a six month lead to GDP growth.

Reading: The data suggests a continuation of the recent sluggish growth trend for the New Zealand economy, with a few bumps along the way. However, October fell sharply. This could just be monthly noise but we'll be watching coming months very closely, as it could be a turning point.

Pros: This is hard data, meaning it does not suffer from the question that vexes confidence surveys, of whether people will act on their intentions. This data captures actions as they happen. It is very timely, available with only a few days delay, compared to almost three months for GDP data.

Cons: The traffic data is volatile on a monthly basis. It can only capture base economic momentum, not one-offs that boost growth. Also, traffic on individual roads can have volatility caused by non-economic factors such as road-works.



The table below summarises what the cyclical indicators are telling us.

Indicator	Level	Direction	Comments
Business confidence	Solid growth	Waning of late	Businesses still upbeat but gloss taken off recently
Consumer confidence	Scratchy	Sideways movements	Cautious consumer
Financial conditions	Loose, flagging good growth potential	Tightened a bit of late	Global situation will see big swings in financial conditions.
Job ads	Low	Easing	Unemployment rate to fall but could prove sticky.
Truckometer	Slow rising trend	Down after two solid months	Up and down: appears a proxy for the entire economy.

Of course we look at host of other indicators.

For instance some official hard data such as building consents have leading properties for the likes of residential investment. But none of these tracks the general economy like the indicators presented above.

What is abundantly clear from the indicators is the contrasting signals they are providing.

Some of this can be explained by the deep-rooted structural forces buffeting the economy (a global financial crisis, the Christchurch earthquakes, restoring some health to our national balance sheet, high commodity prices etc) but it is also symptomatic of an economy that may be entering an inflection point. And if we are at a turning point, it is sadly unlikely to be upwards! There is currently great uncertainty regarding how the global situation will pan out, and how it will impact New Zealand. Leading indicators will be crucial in not missing the boat.

THE BOTTOM LINE

If one economic indicator were perfect we'd be able to rid the world of a lot of economists!

But the economy is a complicated beast. Rolling all dynamics into one indicator is not just impossible, it would be imprudent. We follow a simple rule: use as many indicators as possible but trust none of them in isolation.

The key message we are taking is that bumpy growth looks set to continue for the next six months. Typically, cyclical indicators give similar messages. These are not typical times. We suspect the mixed signals are indicative of the structural challenges the economy is facing. A key pillar of our economic view is that it is not until structural headwinds wane that a cyclical recovery will take hold. That is not to say we won't see ups and down. There will be many, and cyclical indicators will be key benchmarks for detecting them.



KEY FORECASTS

Weekly mortgage repayments table (based on 25-year term)

Mortgage Size (\$'000)	Mortgage Rate (%)														
	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50	7.75	8.00	8.25	
200	135	138	142	145	149	152	156	159	163	167	170	174	178	182	
250	202	207	212	218	223	228	234	239	244	250	256	261	267	273	
300	270	276	283	290	297	304	311	319	326	333	341	348	356	364	
350	337	345	354	363	371	380	389	398	407	417	426	435	445	455	
400	404	415	425	435	446	456	467	478	489	500	511	522	534	545	
450	472	484	496	508	520	532	545	558	570	583	596	610	623	636	
500	539	553	566	580	594	608	623	637	652	667	682	697	712	727	
550	607	622	637	653	669	684	701	717	733	750	767	784	801	818	
600	674	691	708	725	743	761	778	797	815	833	852	871	890	909	
650	741	760	779	798	817	837	856	876	896	917	937	958	979	1,000	
700	809	829	850	870	891	913	934	956	978	1,000	1,022	1,045	1,068	1,091	
750	876	898	920	943	966	989	1,012	1,036	1,059	1,083	1,108	1,132	1,157	1,182	
800	944	967	991	1,015	1,040	1,065	1,090	1,115	1,141	1,167	1,193	1,219	1,246	1,273	
850	1,011	1,036	1,062	1,088	1,114	1,141	1,168	1,195	1,222	1,250	1,278	1,306	1,335	1,364	
900	1,078	1,105	1,133	1,160	1,188	1,217	1,246	1,274	1,304	1,333	1,363	1,393	1,424	1,454	
950	1,146	1,174	1,204	1,233	1,263	1,293	1,323	1,354	1,385	1,417	1,448	1,480	1,513	1,545	
1000	1,213	1,244	1,274	1,306	1,337	1,369	1,401	1,434	1,467	1,500	1,534	1,567	1,602	1,636	

Housing market indicators for October 2011 (based on REINZ data)

	House prices (ann % change)	3mth % change	No of sales (s.a.)	Mthly % change	Avg days to sell (s.a.)	Comment
Northland	-7.4	3.3	116	(-25%)	61	More normal sale numbers after surge in September
Auckland	1.1	0.3	1,855	(+3%)	35	The region that's the quickest place to sell a house
Waikato/BOP/Gisborne	3.4	-1.6	689	(0%)	51	The median time to sell a house hits an 18 month low
Hawke's Bay	-9.9	0.5	172	(+2%)	50	The weakest annual change in house prices
Taranaki	-4.8	-1.7	239	(-4%)	55	Median sales price is the lowest since March
Manawatu-Whanganui	1.5	5.9	134	(+15%)	41	Strongest change in prices over the past 3 months
Wellington	0.5	0.9	574	(+7%)	38	Time to sell shortens to an 18 month low
Nelson-Marlborough	7.8	3.9	221	(+8%)	39	Median sale price climbs to a 3½-year high
Canterbury/Westland	4.2	3.8	697	(-8%)	36	Average sale price just 1 percent below all time high
Central Otago Lakes	8.8	-2.9	73	(-6%)	61	The weakest change in prices over the past 3 months
Otago	-5.2	-0.2	239	(+3%)	36	Days to sell back in the 30s for first time since mid 2010
Southland	20.5	4.9	127	(-8%)	36	By far the strongest annual change in prices in NZ
NEW ZEALAND	2.5	0.8	5,021	(-2%)	39	Some market participants were distracted by the rugby

Key forecasts

Economic indicators	Actual			Forecast						
	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
GDP (Ann Avg % Chg)	1.7	1.6	1.5	1.7	2.1	2.3	2.6	2.7	2.7	3.0
CPI Inflation (%)	4.0	4.5	5.3	4.6	2.5	2.3	2.1	2.5	2.6	2.6
Unemployment Rate (%)	6.7	6.5	6.5	6.6	6.4	6.4	6.1	5.8	5.9	5.9
Interest rates	Actual			Forecast (end month)						
	Sep-11	Oct-11	Latest	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Official Cash Rate	2.50	2.50	2.50	2.50	2.50	2.75	3.25	3.25	3.50	3.75
90-Day Bank Bill Rate	2.9	2.7	2.7	2.7	2.7	3.2	3.5	3.5	3.9	4.0
Floating Mortgage Rate	6.1	6.1	6.1	6.1	6.1	6.3	6.8	6.8	7.0	7.2
1-Yr Fixed Mortgage Rate	6.0	6.0	5.8	5.8	5.9	6.2	6.4	6.5	6.8	6.9
2-Yr Fixed Mortgage Rate	6.4	6.4	6.0	6.0	6.3	6.5	6.6	6.7	6.9	7.1
5-Yr Fixed Mortgage Rate	7.7	7.7	7.2	7.2	7.3	7.4	7.4	7.4	7.5	7.5

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