BNZ Weekly Overview

15 December 2011

Mission Statement

To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy and its implications in a language they can understand.

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The Weekly Overview is written by Tony Alexander. The views expressed are my own and do not purport to represent the views of the BNZ. To receive the Weekly Overview each Thursday night please click here.
http://feedback.bnz.co.nz/forms/Fx-I8ploskSGWgjN_7WOAw
To change your address or unsubscribe please click the link at the bottom of your email.

Here's Hoping For A Better Year

Merry Christmas everyone and Happy New Year. This is the last Weekly Overview for 2011 so as everyone winds down for the country's 4 – 5 weeks closed up period we'll keep things short and sweet. First, many thanks to the thousands of people who during the year responded to our monthly survey, and the hundreds who volunteered their insights into what is happening in the economy. Thanks also to those who have given feedback on our new survey introduced during the year, the BNZ-REINZ Residential Market Survey. This survey has given us valuable insight into what is driving the residential housing market and nicely complements the existing data sources.

Second, with regard to the NZ economy, the year has turned out to be less strong than we were hoping for. The changes in forecasts – and interest rate forecasts in particular – have been the most frequent we have ever seen, mainly due to the deteriorating situation in Europe, especially from July. The housing market is however tracking largely as we expected with activity and prices picking up as people recognise the under-supply of property.

Third, along with the European situation the year has been one of shocks and interruptions including the Christchurch and Japan earthquakes, the Rugby World Cup, and the general election. If your business results this year match what you were planning a year ago – well done!

Fourth, the year is largely ending on a downbeat note with weakness (shrinkage) in manufacturing and construction, lack of growth in core retail spending, but still good export commodity prices and good growth in some areas of business investment.

Looking ahead we have many times in recent months listed the various factors which have capacity to push our economy's growth rate to 5% next year. Then we have listed reasons why such growth won't happen and as the year has progressed we have cut forecasts for growth. For a list of these positive and negative factors see the Weekly Overview of November 17, available here. http://tonyalexander.co.nz/topics/regular-publications/bnz-weekly-overview/

Next year is going to be one in which downside risks are likely to dominate for at least the first half as the recent surge in US growth may prove to be a flash in the pan, and because it is still the toss of a coin whether Europe survives without a break-up of the Euro and messy outright default by at least Greece. Bank funding risks in particular lie on the downside and credit availability could easily become constrained once again.

As Europe and the UK shrink Australia is likely to still grow strongly, the US at a mediocre pace, and China plus wider Asia at a firm clip. This will see an increasing proportion of our exports going to Australia and Asia and we all need to be thinking about how best to extract benefits from the strong growth in our part of the world.

For some companies it will mean redirecting market research budgets towards the likes of China. For others it will mean considering which Australian businesses now may more profitably be located here in NZ given our looser labour market, lower labour costs, FTA with China, and lower exchange rate. For those seeking to expand in an environment where bank funding is structurally less readily available the rise of China in particular presents capital raising opportunities. Witness the recent announcement of the formation of a Chinese angle investors network, and the interest of the Chinese Development Bank in funding large NZ infrastructure and construction projects, (credit not capital actually). Note also that 2012 will mean 91% of NZ goods will now enter China tariff free courtesy of the 2008 Free Trade Agreement. Come 2017 that proportion will be 96%. http://www.chinafta.govt.nz/

As noted in my covering email last week, this Summer break and during at least the first half of 2012 I shall be studying the economic relationship between New Zealand and China and would welcome contact with anyone who feels they have useful information to help me in my work. If that is you feel free to email me at tony.alexander@bnz.co.nz

With regard to interest rates over 2012, the chances are the Reserve Bank will leave them unchanged until extremely late in the year, if they move them at all. They will cut them as will most other central banks if Europe tanks. For the NZ dollar movements will be driven substantially by changes in European riskiness and there is zero reason for believing anything other than that high volatility will continue. For the NZ labour market watch for potentially rapid tightening from late in the year but mainly through 2013.

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

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

We discuss the results of our last BNZ-REINZ Residential Market Survey for 2011.

Other Website Material

- **Weekly syndicated newspaper column** http://tonyalexander.co.nz/newspaper-column/
- **BNZ-REINZ Residential Market Survey** Released second week of each month. http://tonyalexander.co.nz/bnz-reinz-survey/
- **Real Estate Overview** Updated mid-late each month. http://tonyalexander.co.nz/bnz-reinz-survey/
- **Archived Weekly Overviews** www.bnz.co.nz/tonyalexander

Is Our Economy Getting Better or Worse?

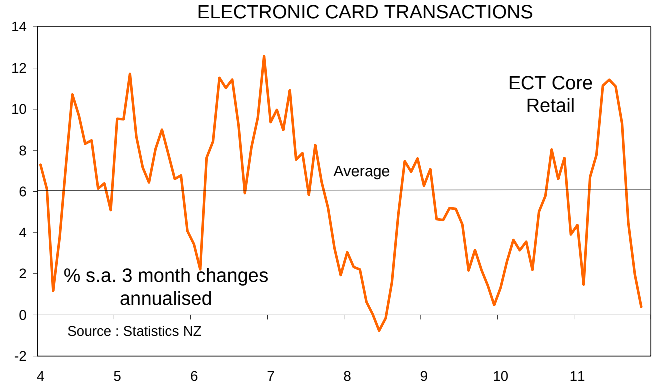
In this section we look only at what the data are actually telling us and pay no attention to forecasts or intentions measures.

We have data in hand on spending using debit and credit cards showing NZ consumers have their wallets very very firmly closed.

Are householders opening their wallets more?

Regular readers will know my view has been that underlying household spending is weak and the only reason we have seen generally strong retailing numbers this year has been because of the Rugby World Cup effect. My view has been based on the feedback from retailers in our BNZ confidence Survey, analysis of the retailing data adjusting for what seem to be rugby effects, and declining car registrations. This week we received some official numbers as it were putting some more meat around the weak spending argument.

Electronic Card Transaction spending fell in nominal seasonally adjusted terms in November by 1.3% after rising 0.9% in October. Clearly there is a rugby effect at play here so it is best to smooth things over three months as we advise anyone to do for monthly data in New Zealand all the time. Doing this we get growth (in the core retail figure which we examine) of only 0.1% or 0.4% annualised.



The rate of growth in this proxy for retail spending has been slowing since the September quarter, that slowing is continuing, and we retain our warning that frankly Christmas is likely to suck big time for a lot of retailers.

Is business output rising?

Nothing new.

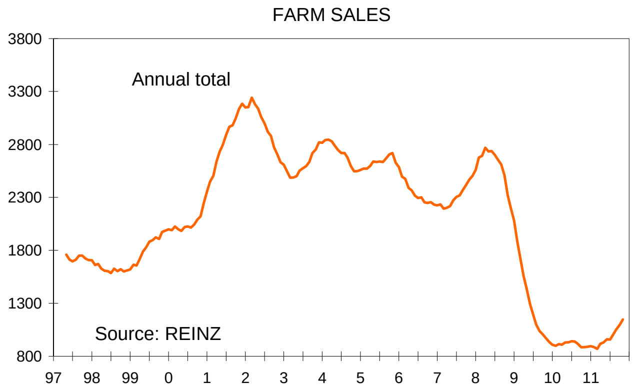
Are businesses hiring more people?

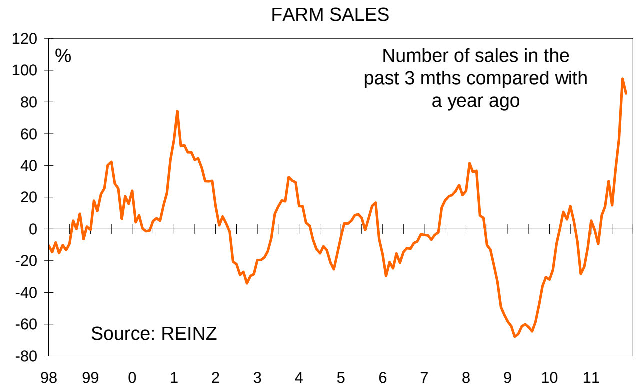
Also nothing new.

Are businesses boosting their capital spending?

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

One proxy for investment rising or about to rise may be farm sales – and growth there is strong. In November there were 123 farms sold around New Zealand which was 73% more than a year ago. In the three months to November sales were 85% up on a year ago and ahead near 15% seasonally adjusted from the three months to August. Basically the rural real estate market is moving upward fairly quickly.





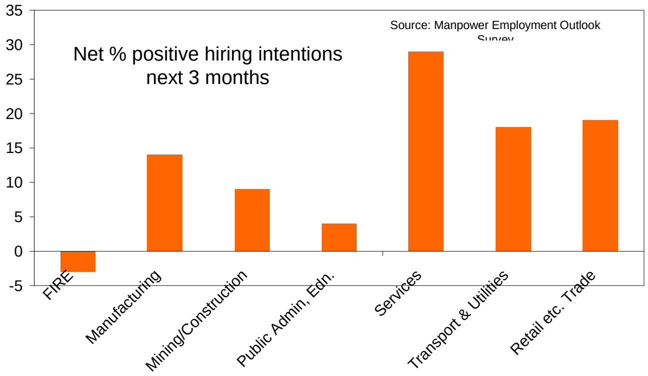
What Do The Leading Indicators Say?

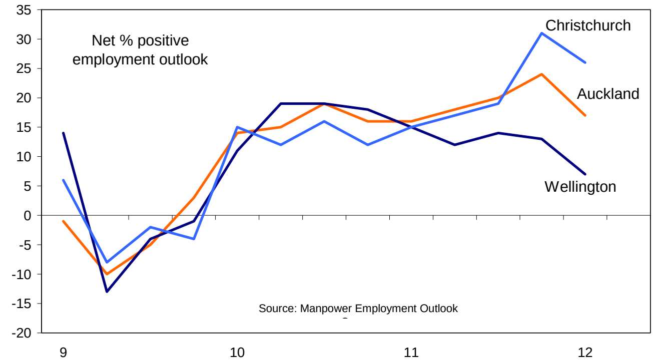
In this section we look only at the factors which can at times give insight into where the economy is headed. Generally we will only cover newly released information.

Employment Prospects Steady

The Manpower Employment Outlook Survey was released this week and it showed a small dip in the net percent of employers expecting to boost staff numbers over the coming quarter to a net 18% positive from 21% in the previous survey. We read this as meaning no change (the data are seasonally adjusted). In fact the series has not altered much since the middle of 2010. Regional Wellington is weak with just a net 7% positive employment intentions, down from 13% last survey and below Auckland's 17% and Christchurch's 26%.

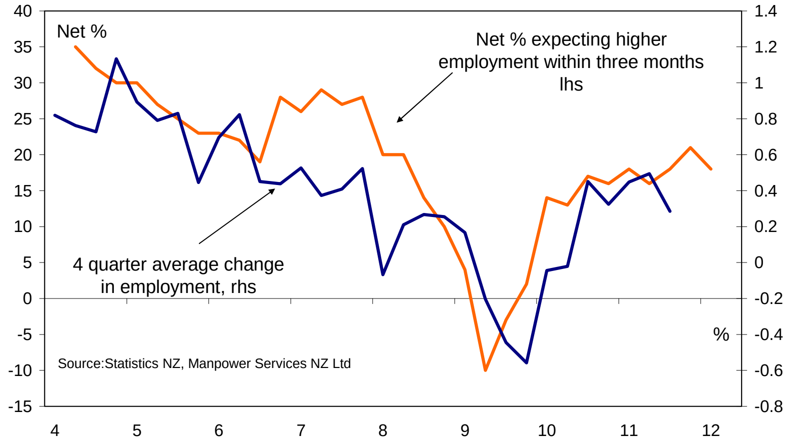
INDUSTRY HIRING INTENTIONS





Industry wise and probably reflecting the weakness in financial sectors offshore and lack of lending growth in NZ, finance, insurance and real estate report a net 3% intention of laying off people. This is down from a positive 15% in the previous survey so represents quite a quick change. Reflecting the indicators showing the manufacturing sector easing off the sector's intentions measure fell to a net 14% positive from 34%. For mining and construction (mainly the latter) there was also a big change to 9% from 30%.

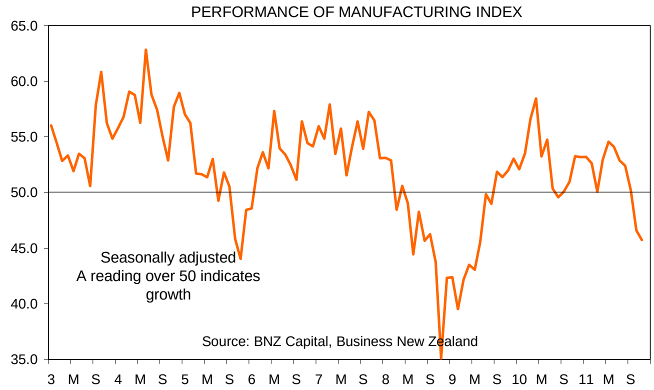
MANPOWER SURVEY AND JOBS GROWTH

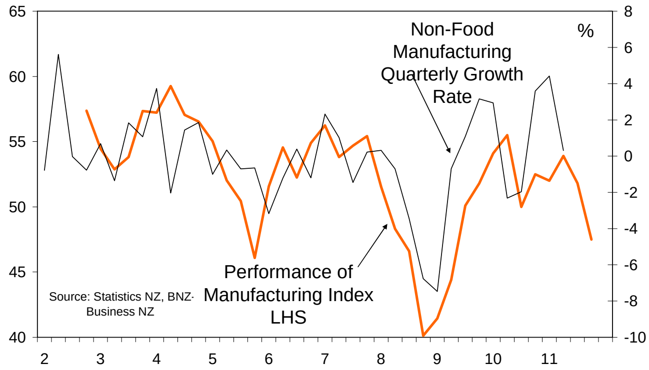


There is a broad but not quarter to quarter correlation between the index and job growth outcomes so the results suggest that it is reasonable to expect that in the short term at least jobs growth will remain insufficient to make much change in the unemployment rate from 6.6% and employment will run still just over 1% ahead of a year earlier for a while yet.

Manufacturing Shrinking

The monthly BNZ-Business NZ Purchasing Managers Index fell away again in November, this time to a lowly reading of 45.7 from 46.6 in October and 54.6 six months ago. This reading is the lowest since June 2009 and not that good when one considers that the condition of our economy is much better than back then when we were emerging from the immediate after effects of the Lehmans bank collapse.





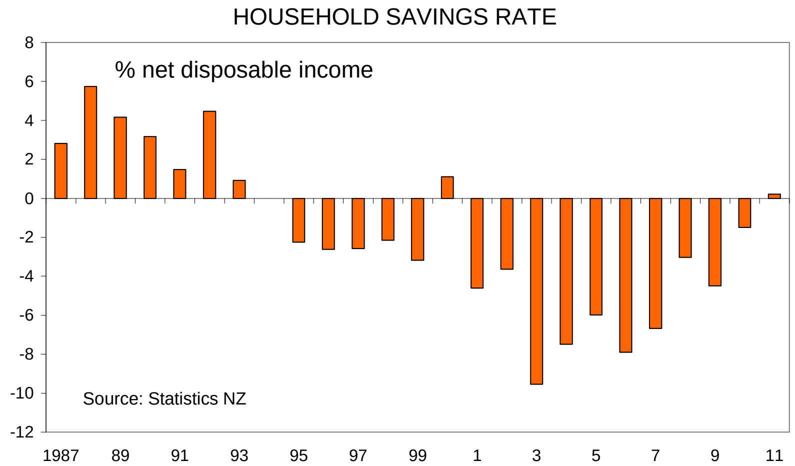
There is a broad correlation between the index and non-food manufacturing sector growth so the readings suggest a couple of weak quarters at least for core manufacturing.

INTEREST RATES

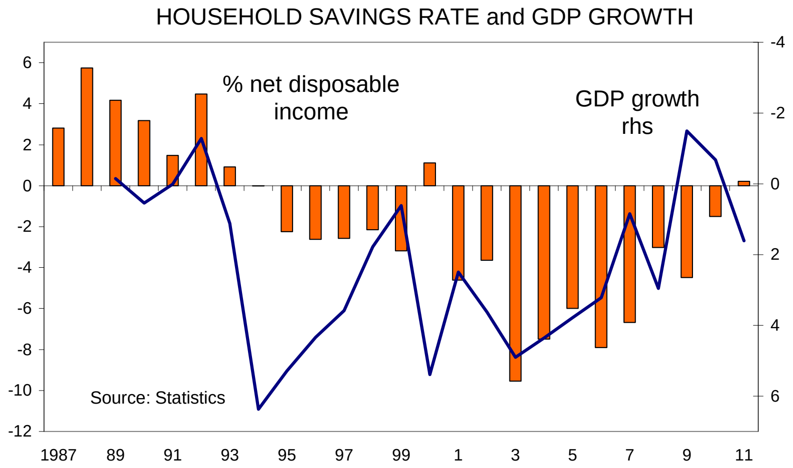
Wholesale interest rates have declined even further this week in response to growing worries (yet again) about Europe and the obvious implications for global growth prospects along with downward pressure on NZ consumer and business sentiment and presumably spending intentions.

Over the coming year NZ interest rates are highly likely to remain low. But it pays to remember that we have a history of strong debt growth and resistance to rising interest rates and data released this week do not leave us all that hopeful that the traditional premium NZ borrowers pay compared with most borrowers offshore has disappeared.

In the year to March the NZ household sector recorded a positive savings rate of 0.2%. This was the first positive result since 2000 and compared with a dissavings rate of 1.5% in 2010 and a peak dissavings rate of 9.5% in 2003. There is no distortion to the figure from insurance payments to households as these have been put through the household capital account rather than the income account in Statistics NZ calculations. But the point to note is this.



The last time NZ's household savings rate was positive was in the year to March 2000 as we were emerging from the 1997/98 Asian Crisis. There is a broad correlation between the country's rate of economic growth and the savings rate and whereas back then a slowing in growth to 0.6% produced a savings rate eventually of 1.1%, this time a fall in GDP of 1.5% then 0.6% has produced a smaller positive savings rate.



What we are implying is that the improvement in the savings rate which we have seen reflects more the change in the economy's growth rate than a structural shift in household spending behaviour, and that the change in spending/saving this time around is actually not that great. We have yet to be convinced (hopefully one day we will be) that the shift in the household savings rate is permanent and fear that once the labour market picks up debt growth will lift again and the savings rate will again head south. This has implications for the country's credit rating given that aging population pressures are now exerting their long term influence on the government's ability to run surpluses to offset deficits posted by householders.

That means that the long term risk premium attached to NZ interest rates is likely to grow further down the track.

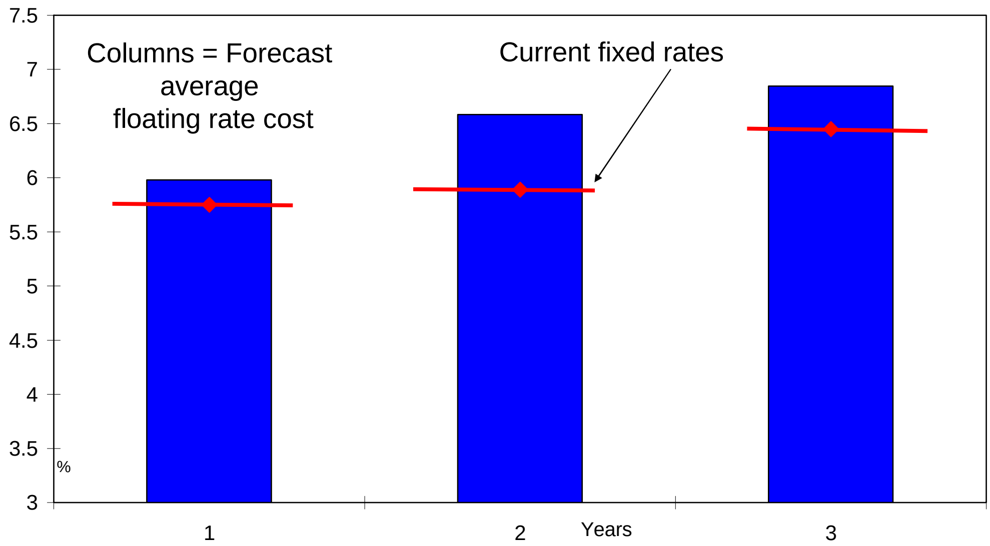
Merry Christmas anyway.

FINANCIAL MARKETS DATA

	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	2.50%	2.50	2.50	2.50	3.00	5.9
90-day bank bill	2.72%	2.72	2.75	2.90	3.21	6.2
1 year swap	2.67%	2.73	2.68	3.14	3.45	6.0
3 year swap	2.93%	3.06	3.07	3.73	4.29	6.2
5 year swap	3.33%	3.53	3.57	4.27	4.86	6.4
180-day term depo	4.00%	4.00	4.50	3.60	4.90	6.0
Five year term depo	5.85%	6.00	6.00	6.00	6.75	6.5

If I Were a Borrower What Would I Do?

Personally speaking, my view right now is the same as it has been since about August or late-July. The chances of the Reserve Bank of New Zealand raising its cash rate during 2012 at a time when household spending is near flat-lining and world growth prospects dim almost by the day are extremely low. I would be more than happy to stay floating.


Columns = Forecast average floating rate cost
Current fixed rates
%
Years
7.5
7
6.5
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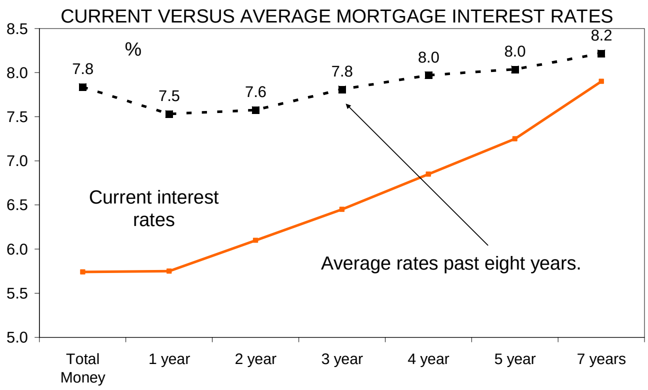
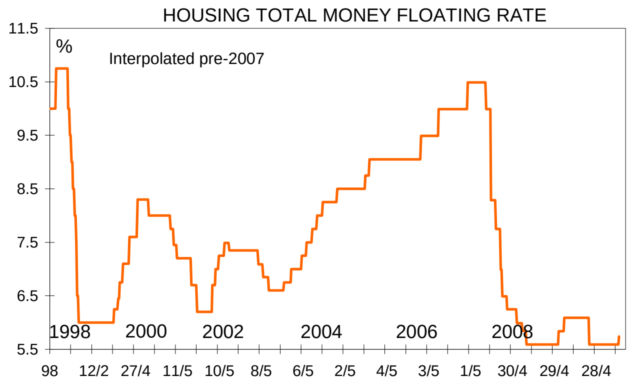
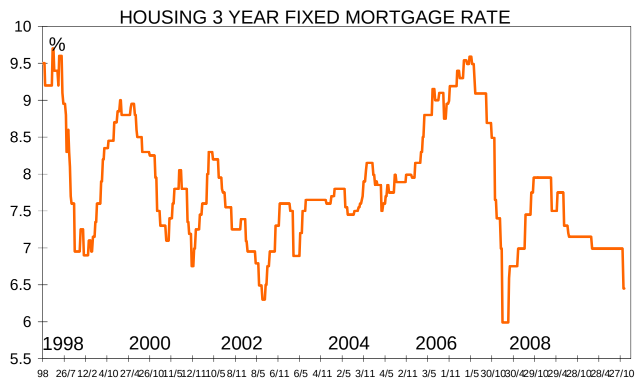
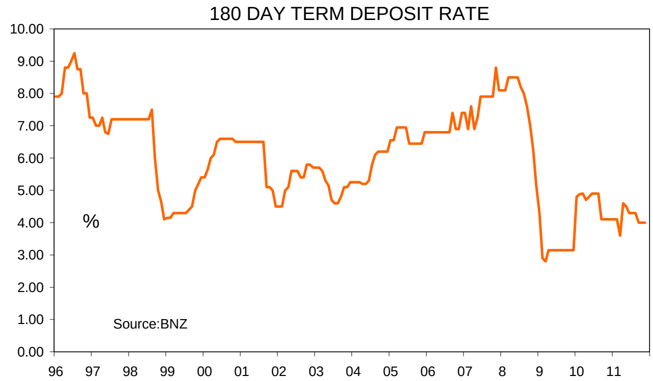

CURRENT VERSUS AVERAGE MORTGAGE INTEREST RATES
%
7.8
7.5
7.6
7.8
8.0
8.0
8.2
Current interest rates
Average rates past eight years.
Total Money
1 year
2 year
3 year
4 year
5 year
7 years


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


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

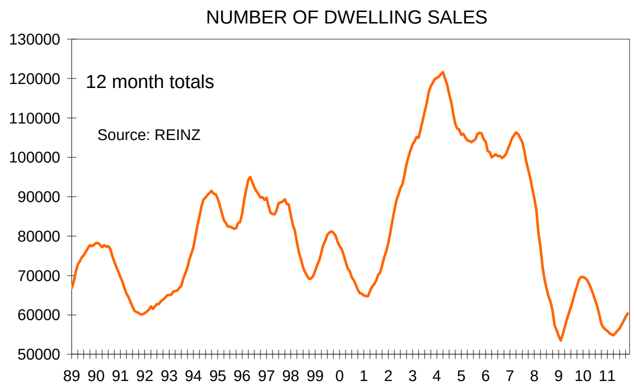

180 DAY TERM DEPOSIT RATE
%
Source:BNZ

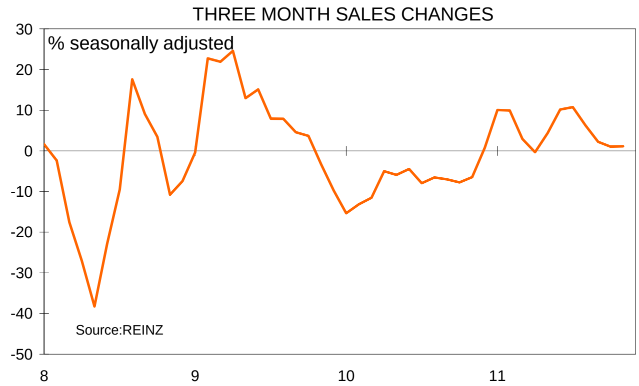
HOUSING MARKET UPDATE

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

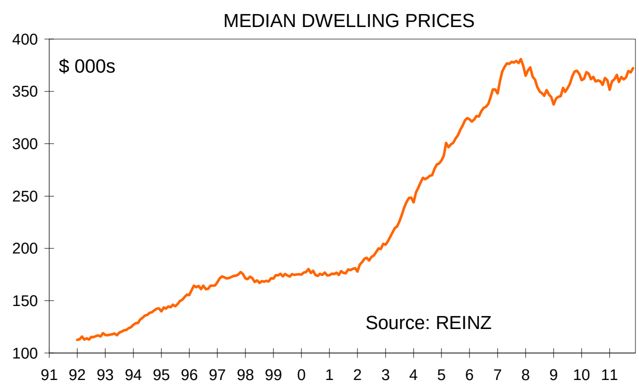
NZ Residential Property Market Improving

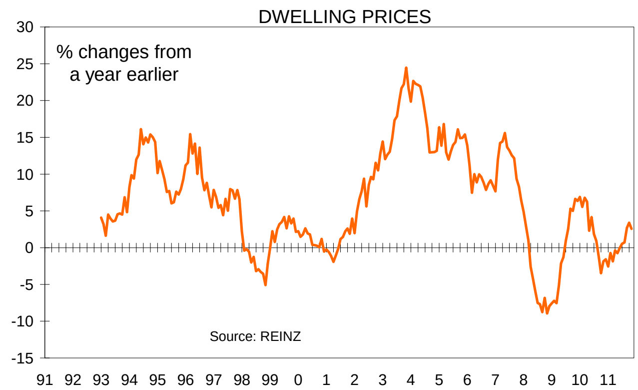
The REINZ data released this week confirms the upturn in the housing market which we have been forecasting for the second half of 2011 since last year and noticing in data for some months now. In seasonally adjusted terms dwelling sales rose by 4.4% in November to be ahead 1.1% over the past three months and 16.9% ahead of a year ago unadjusted. Sales are trending upward at a mild pace.



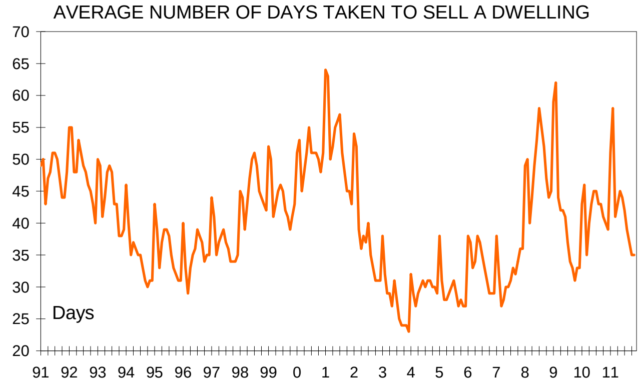


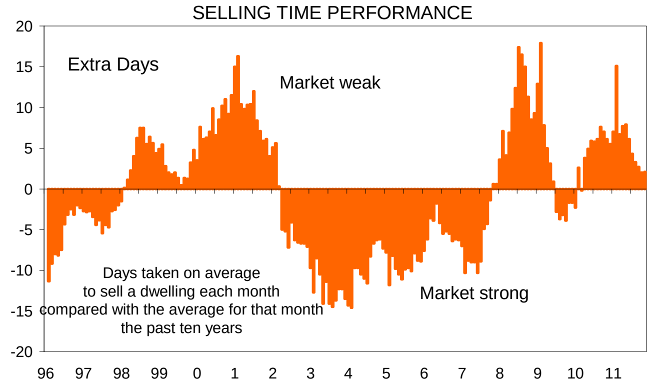
The stratified median dwelling sales price improved 1.1% in the month to be 2% up for the three months to November and 2.6% ahead of a year earlier. Prices are rising but not at that rapid a pace. Over the past three months prices have improved by 2.8% in Auckland, 2.5% in Wellington, and 3.2% in Christchurch. But they have risen just 0.9% for the rest of the North Island.





On average in November it took 35 days to sell a dwelling which was the same as October and not too bad a result considering the election likely caused a few people to sit on their hands. The number of days to sell was 2.1 days longer than average, the same as in October and down from 7.9 days longer than average six months ago. So properties are selling more quickly in recent months but again the pace of improvement is not spectacular.





Therefore some of the talk we have seen in the media regarding the housing market booming and speculative factors being in play are well off the mark. Just because a market is rising does not mean it is embarking upon a debt-fuelled speculative binge and as we have long stressed, the fundamental driving our market upward would be and is a simple shortage of property which more people are becoming aware of, along with a cohort of young people entering their household formation phase. See last week's Overview if you want a list of reasons for why house prices are not going to plummet. Or you could take a look at just about any edition from 2008 or 2009 for similar insights.

Are You Seeing Something We Are Not?

If so, email us at tony.alexander@bnz.co.nz with Housing Comment in the Subject line and let us know.

MAJOR OFFSHORE ISSUES

European Debt

The main focus in Europe over the past week was the two day leaders summit and the resulting fiscal pact and split of the UK with other EU members. The pact itself is simply a proposed agreement to enforce with penalties this time that which Euro members agreed to do when they adopted the Euro but then ignored almost right away – led by Germany and France. To whit, keep the budget deficit below 3% of GDP and government debt at less than 60%. Other components include the following.

- Capping of the size of the future permanent bailout fund at €500bn which is less than had been expected. The European Stability Mechanism will also not have a banking license which means it will not be able to borrow from the ECB. However the permanent fund will start next year which is one year earlier than anticipated.
- EU countries will provide the IMF with up to €200bn so it can help in the current crisis – buy government bonds basically.
- Germany's continuing demand that investors bear a high share of the costs of any country's debt default were knocked back and investors now will pay less in such an event.
- There is to be no Europe-wide Finance Minister and no creation of Euro bonds to finance individual countries.

Two points need to be made. First, it will be many years before the currently highly indebted countries satisfy the debt limit rule and radical tax and spending policy changes will be needed even in Germany and France in order to get debt below 60% of GDP. The second is that Spain was meeting these rules up until the 2008 crisis. So adherence does not guarantee that an economy will avoid a deficit and debt blowout and earn the wrath of the markets.

So how is the deal faring so far?

- European officials have expressed concern about imposing extra fiscal discipline to meet the 3% and 60% targets when the outlook for economic growth is so poor.

- The head of Germany's Bundesbank has noted he does not support the ECB extending credit to the IMF. Others have noted the move violates existing treaties.
- The German Chancellor has repeated her opposition to Euro-wide bonds and an increase in bailout facilities.
- An auction of five year Italian bonds went at a yield of 6.47% from 6.29% in November – a 14 year high for that maturity.
- Moodys cut by one notch the credit ratings of the top three banks in France citing a "very high" probability that they will need government assistance. They also noted that the weekend's EU talks had failed to produce "decisive policy measures" and said they might place all European government credit ratings under review early next year.

For the record, the ECB itself meanwhile met expectations last Thursday night by cutting their cash rate another 0.25% to 1.0%, thus taking it back to its record low and completely unwinding the increases in April and July this year. Our central bank has also cut interest rates 0.5% after raising them 0.5%. The RBA has also cut 0.5% after raising its rate 1.75%.

But the big news accompanying the ECB announcement of their rate change was that they would extend indefinite quantities of credit to European banks if they needed it, but had absolutely no intention of violating the EU treaty and purchasing anything other than token quantities of government bonds. In fact the ECB President Mr. Draghi said he was somewhat perplexed as to how the markets had interpreted some comments he made a few weeks ago as implying that the ECB would fund governments if a strong fiscal coordination structure was agreed upon.

On this topic, last night one ECB Board member noted that policy makers are increasingly feeling that ECB bond purchases are having no discernable positive impact.

Things don't look good. So given that in every country it seems the situation in Europe is cited as the major economic threat over 2012 there seems no more fitting way to end this section of the Overview for 2011 than with the chorus from Billy Joel's "Goodnight Saigon"

And we would all go down together
We said we'd all go down together
Yes we would all go down together

Chinese Inflation

China's annual rate of inflation eased to 4.2% in November from 5.5% in October and a peak of 6.5% in July. The decline reflects a combination of slowing growth in the economy courtesy of tight monetary policy and actions to stem the property sector's boom, plus slower growth in exports due to the firmer yuan and weakening activity growth offshore. But also harvests have been better than expected recently and that is an important factor in suppressing growth in food prices which can cause considerable angst and unrest amongst the poorest people for whom a high proportion of household income is devoted to buying food.

For China next year the theme looks likely to be mainly one of easing inflation in the early part of the year providing space for easing monetary policy with the extent of that easing highly dependent upon how bad things get in Europe and hit China's exports, and the extent of unwinding of China's housing boom. The Chinese government has high capacity to provide credit if needed by banks facing rising bad debts. Plus the People's Bank of China can easily reduce further the reserve ratio requirements and even cut interest rates. so a threat to the banking system as lay behind the US troubles of 2008-09 and the current European ones is not strong.

But the extent of monetary policy easing undertaken may be reduced by a more stimulatory fiscal policy stance perhaps with some attention given to boosting specifically the manufacturing and infrastructure sectors. The latter, involving as it does construction, can be turned on and off reasonably quickly and the new five year plan's focus on balanced economic growth implies a continued high level of infrastructure spending in the inland regions. Manufacturing has been suffering from rising labour costs, a rising yuan, and easing demand from offshore resulting in the official PMI measure slipping below 50 in November. Measures aimed at helping firms rise up the value added chain as lower end manufacturers shift to the likes of Bangladesh, Vietnam and the Philippines could be considered. Measures may also be introduced to help exporters develop markets in developing economies. Plus tax cuts are being speculated upon.

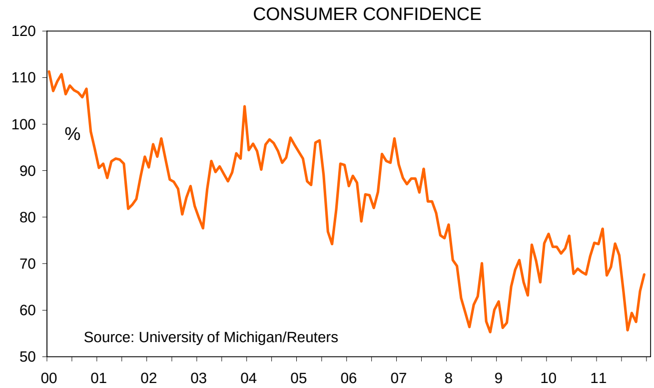
In fact given the huge problems created by the 2009-10 easing of bank lending restrictions aimed at insulating China from the global crisis, outright favouring a fiscal response this time around is likely. This is especially so as government debt is only about 25% of GDP and revenues have risen some 28% over the past year to deliver a fiscal surplus near US$125bn. Hence ability to follow through on the recently announced ten year plan to fight poverty is high. China raised the poverty line for 81% of rural inhabitants thus making another 128 million people eligible for benefits. China's fiscal response to the 2008 crisis was a stimulus package of about US$0.5tn.

Insight into what may happen will come very soon from the annual three day Central Economic Work Conference in Beijing currently underway.

US Growth Momentum

One positive sign leading to hopes that the lift in US growth to over 2% in the second half of this can be sustained is accelerating growth in bank lending. Seasonally adjusted business lending grew at an annualised pace of 10% during the September quarter – the fastest since 2008. October month growth was an annualised 15% and November 6.1%.

Bringing hope that consumer spending may be going to get more solid was a rise in the University of Michigan Consumer Confidence measure to a six month high of 67.7 this month from 64.1 in November and a low of 55.7 in August. But retail spending in November actually grew by less than expected with a rise of just 0.2% rather than the 0.5% expected. But this easing perhaps is a good thing because by some estimates households have financed a lot of their recently stronger spending by reducing their savings rate from a level near 5.5% to near 3.5%.



Australian Growth

Consumer confidence has eased slightly in the past four weeks in Australia with the fall following the release of some weaker than expected jobs growth numbers. Worries about slowing growth in China and the situation in Europe appear to be growing, but with such woe tumbling upon their poor heads from the poor performance of the Aussie cricket team, economic matters maybe have taken something of a back seat this week. Even the Brisbane Roar went down to the Phoenix in Dunedin last night.

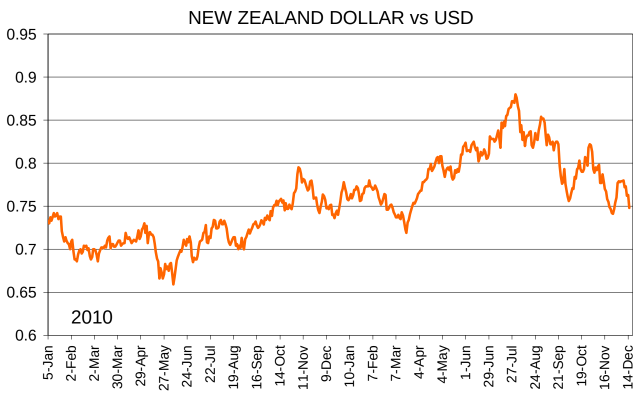
However, more announcements have come forward regarding development of the minerals sector in Australia, so the broad view we continue to feel happy running with is that while there are risks, growth is likely to be firm in Australia next year and this is a big positive for us in NZ given that about 23% of NZ export receipts come from Australia.

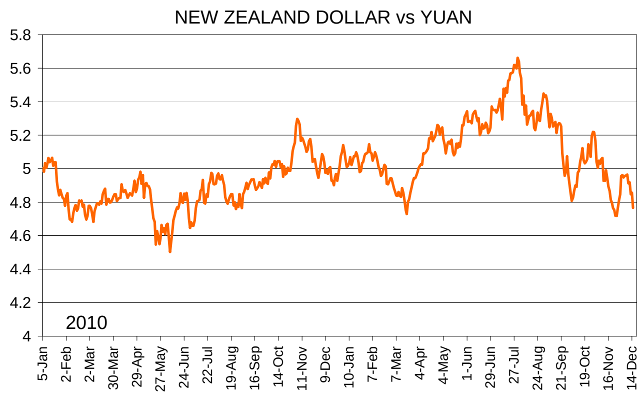
Exchange Rates

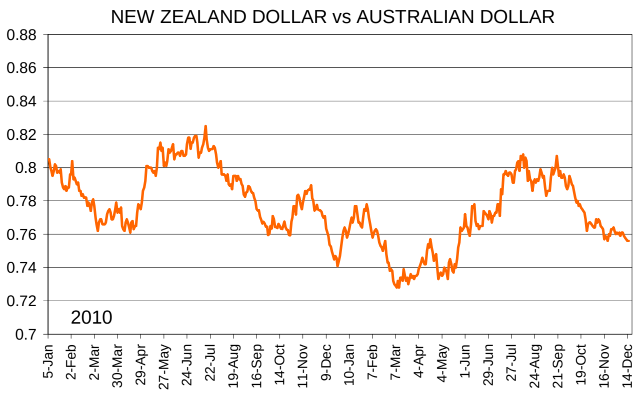
Exchange Rates	This Week	Week ago	4 wks ago	3 Mths ago	Yr ago	10 yr average
NZD/USD	0.748	0.780	0.778	0.815	0.7517	0.629
NZD/AUD	0.756	0.761	0.763	0.796	0.7526	0.855
NZD/JPY	58.400	60.600	60.000	62.500	62.87	68.4
NZD/GBP	0.483	0.496	0.489	0.517	0.4768	0.368
NZD/EUR	0.576	0.582	0.571	0.593	0.562	0.511
NZDCNY	4.766	4.965	4.944	5.213	5.008	4.83
USD/JPY	78.075	77.692	77.121	76.687	83.637	109.9
USD/GBP	1.549	1.573	1.591	1.576	1.577	1.705
USD/EUR	1.299	1.340	1.363	1.374	1.338	1.229
AUD/USD	0.99	1.02	1.02	1.02	1.00	0.737
USD/RMB	6.3713	6.3651	6.3552	6.3967	6.6628	

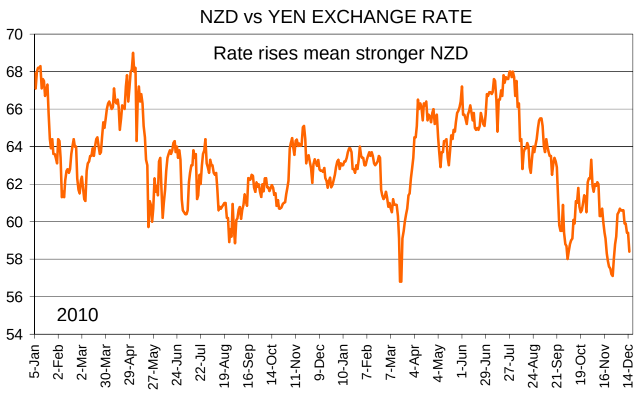
Risk Goes Up, Kiwi Goes Down

After initially greeting the outcome of the two day European leaders' summit positively new worries have (logically) surfaced regarding the efficacy (and outright relevance) of the fiscal pact in the short term, and the absence of any strong measures aimed at improving government debt raising abilities. Worries about credit downgradings have risen anew, bank funding markets have tightened up further, the newspapers are carrying stories of European banks pulling out of Asia and Eastern Europe to boost balance sheets, and no-one really knows what the UK veto of a new EU treaty of fiscal enforcement will mean for UK-Continent relations.



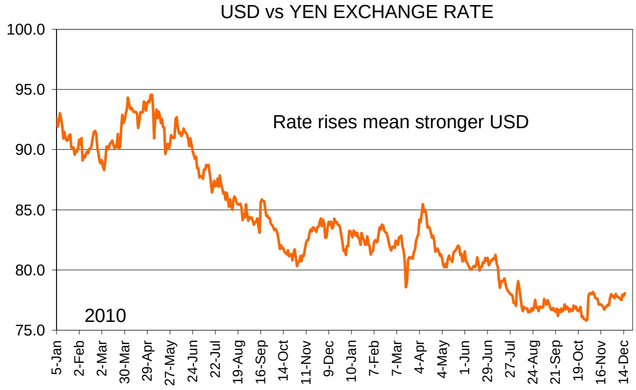


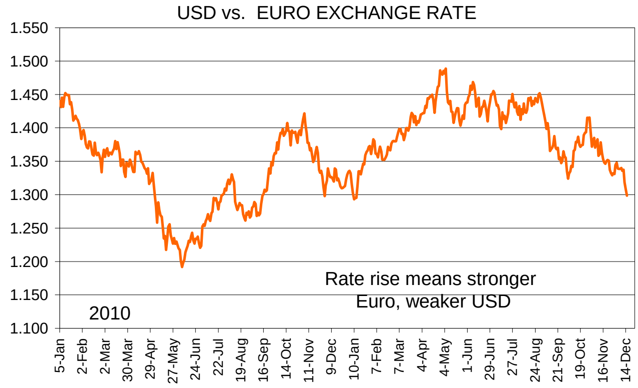


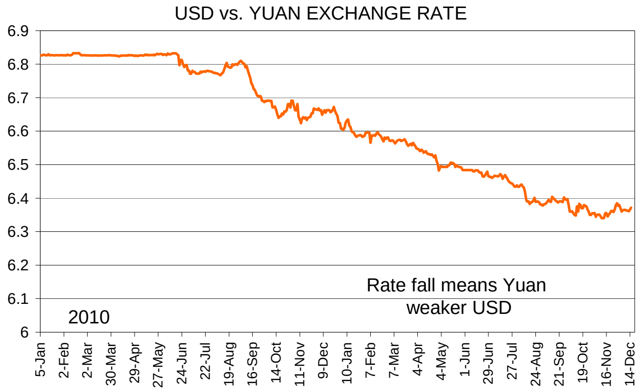


So investors have sold risky assets, pushed up yields on bonds of the heavily indebted European countries, sold the NZ dollar, sold the Euro to a one year low against the USD, and bought the greenback principally with some flow of funds also into the Japanese Yen.

The Chinese Renminbi has eased against the USD partly because of the USD's general strength but also because of the weak data reported recently on China with regard to exports and manufacturing in particular.







And the year ahead? Assuming Europe does not implode the NZD is likely to rise back above US 80 cents on the back of firm commodity prices and accelerating NZ economic growth.

Exchange Rate Assumptions

Remember that exchange rates are impossible to forecast with reasonable accuracy. Treat the numbers below as assumptions for modelling purposes only.

	2010	2011	Risk	2012	Risk
Year end					
NZD/USD	0.73	0.70 - 0.8		0.82	Higher
NZD/AUD	0.74	0.73 – 0.79		0.85	Lower
NZD/YEN	64.2	56 – 63		70.0	
NZD/GBP	0.44	0.45 – 0.50		0.50	
NZD/EUR	0.51	0.54 – 0.58		0.61	
USD/JPY	88	75 – 79		85	Lower
GBP/USD	1.66	1.52 – 1.62		1.63	Higher
EUR/USD	1.43	1.28 – 1.40		1.35	Higher
AUD/USD	0.99	0.95 – 1.05		0.97	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	0.4%	1.0	4.6	1.5	1.7
GDP growth	Average past 10 years = 2.6%	0.1	0.9	+1.5	0.5	-2.4
Unemployment rate	Average past 10 years = 4.8%	6.6	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	3.7	3.6	......	2.5	5.6
Terms of Trade		-0.6	2.4	3.4	17.9	-14.1
Wages Growth	Stats NZ analytical series	0.6	1.0	3.6	2.5	5.2
Retail Sales ex-auto	Average past 9 years = 3.9%.	2.4	1.1	2.1	2.3	-2.5
House Prices	REINZ Stratified Index	1.5	-0.2	2.3	-1.3	4.3
Net migration gain	Av. gain past 10 years = 13,900	-103	2,867yr	......	12,610	18,560
Tourism – an. av grth	10 year average growth = 3.2%. Stats NZ	2.5	-0.6	2.5	3.2	-1.0
		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	109	112	103	115	122
Household debt	10 year average growth = 10.3%. RBNZ	1.2	1.2	1.5	2.4	2.6
Dwelling sales	10 year average growth = 2.5%. REINZ	28.3	21.1	-4.2	-35.9	36.3
Floating Mort. Rate	(TotalMoney) 10 year average = 7.9%*	5.74	5.59	5.59	6.09	5.59
3 yr fixed hsg rate	10 year average = 7.8%	6.45	6.99	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	2.0 – 2.5	2.0 – 2.5	3.0 – 3.5
CPI	on year ago	4.0	2.5 – 3.0	2.0 – 2.5	2.5 – 3.0
Official Cash rate	end year	3.0	2.5	3.0 – 4.0	4.00 – 4.50
Employment	on year ago	1.3	2.0 – 2.5	2.0 – 2.5	2.0 - 2.5
Unemployment Rate	end year	6.8	6.0 - 6.5	5.0 - 5.5	<5.0

*extrapolated back in time as TotalMoney started in 2007