BNZ Weekly Overview

22 April 2010

Mission Statement

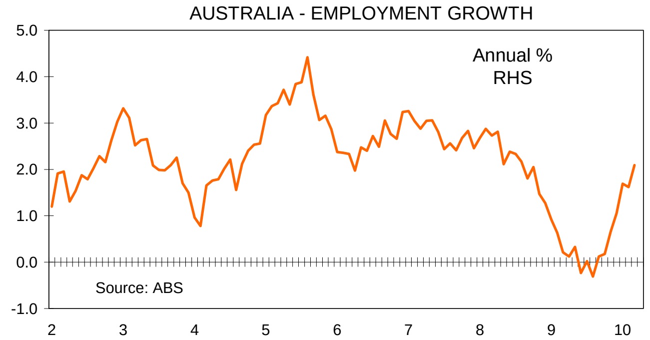
To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy and its implications in a language they can understand.

In this week's issue….

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 email me at tony.alexander@bnz.co.nz with 'Subscribe" in the Subject line.

Australia and Queenstown

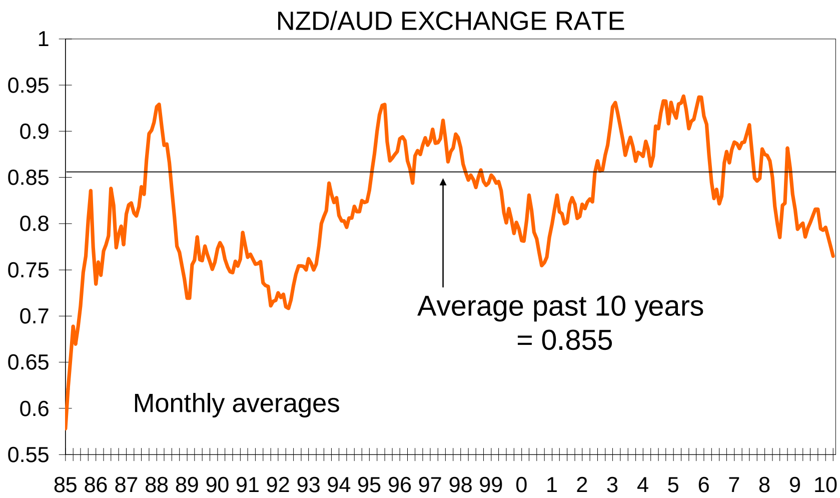
This week I gave a talk to a group of Australian financial advisors in Queenstown for a three day conference. They already knew of course that the Aussie economy is powering ahead so there was little point talking about that, though I think they found it useful to find out the strong way in which we depend upon them. They are a safety valve for us in times of unemployment – especially at the moment when their unemployment rate is off its 5.8% peak and now sits at 5.3% while ours is still high at 7.3%. There are worsening shortages of skilled people in Australia as their economy enjoys the boom created by sky-rocketing commodity prices, an infrastructure boom, and record net immigration.



This shortage of employees (which employers want addressed with continued firm immigration) is likely to become a key dynamic for our labour market very soon with more and more Kiwis likely to head across the ditch to earn 50% more than they can earn here. We have discussed many times the way in which this is likely to foster skills shortages here next year along with some extra upward pressure on wages plus house prices as the recovery in residential construction is mellowed by an eventual shortage of builders – plus little financing for subdivisions along with investors backing away from construction due to reduced after tax returns.

Australia supplies some 43% of our foreign visitors and apparently the forward bookings for skiing this year are quite good. In Queenstown there have also been some property sales (activity remains weak though) where prices have turned out to be higher than people expected. Some companies with good balance sheets are also starting to sniff around the commercial property sector again.

Australia takes about half of our manufactured exports – which is not really relevant to Queenstown – but with the NZD/AUD exchange rate eight cents below the ten year average and the Aussie economy soaring it is unsurprising that more and more positive news reports are appearing regarding our NZ manufacturing sector.



Across the ditch there is a huge debate raging about the way in which builders taking part in the Federal Governments A$16bn school building programme have been ripping off the system with huge fees and over-pricing. Things are being built at four times the price schools were quoted before the government decided on the stimulus package as a response to the global financial crisis depressing economic activity. That downward pressure on the Aussie economy of course ended a long time ago but the stimulus continues – and this is a problem.

The government has initiated an investigation into the fee charging rorts but is determined to keep the spending plan in place – and that means extra pressure on wages and more effort the RBA needs to make in order to keep inflation in check further down the track.

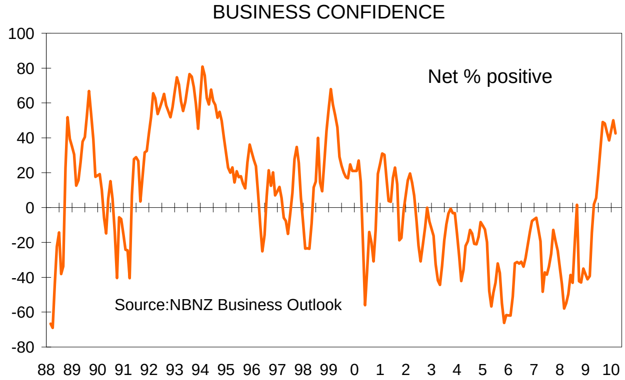
The RBA has already raised its cash rate from 3% to 4.25% and another 1% in stop-start fashion seems highly likely over the next 12 months. Because monetary policy is having to fight against too loose fiscal policy it would be unsurprising if the Aussie dollar were not to rise further against most other currencies – especially with continuing strong growth in China placing extra upward pressure (generally) on hard commodity prices.

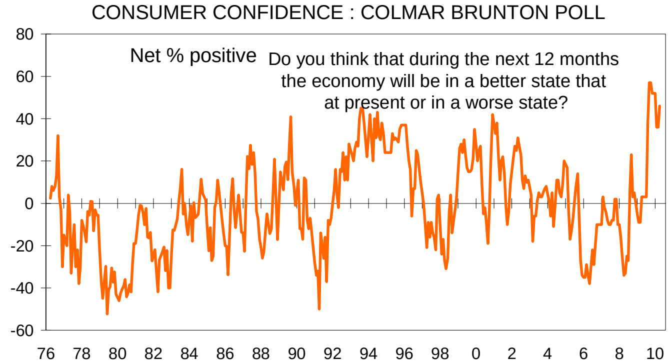
The relevance for ourselves of this policy dynamic is that to some extent the NZD will be dragged up on the coat-tails of the rising AUD, but we risk losing some more ground against the Aussie dollar before our own monetary policy tightening starts in earnest and the Kiwi dollar then heads back above AUD80 cents. Interestingly however, this week's lower than expected March quarter consumers price index increase in NZ of just 0.4% increases the chances that the RBNZ will delay the first rate rise to late in July rather than early in June, and this will of course tend to suppress in the near future the strength of the NZD.

Therefore, although rising floating mortgage rates in Australia (clustered around 7% now) will sap some household spending power, the chances that the NZD stays low against the AUD through Winter means the tourism season could be quite a good one with regard to those Aussie skiers hopping across here – not that there is much competition in this part of the world for our ski fields anyway.

INTEREST RATES

Our central view remains that the RB will start taking away the 2.5% official cash rate they installed in April last year when the cash rate is reviewed on June 10. But there is a clear risk they hold back a bit longer given that data we have been receiving on the NZ economy in recent times have not been strong. Confidence levels are certainly high and in surveys we say we are going to hire people, spend on household goods, and purchase capital equipment. But when it comes to actually sticking one's mitt in the pocket to get out the money – or going to the bank to borrow it – we baulk.





We can only speculate on exactly why people and businesses are holding off spending and because of that we can only make vague references to the time when we expect the spending will pick up. For consumers it seems logical to talk in terms of people waiting for the labour market to improve. We expect that to happen later this year although there is some increase in labour demand apparent at the moment going by the anecdotes we pick up in our monthly survey and the numerous other monthly or quarterly figures put out by bodies in the employment field.

But across the ditch although the labour market is very strong with the unemployment rate at just 5.3% consumers are only a tad less cautious than they are here. For instance in February nominal NZ retail spending was 2.4% ahead of a year ago and in Australia the rise was a bigger but not spectacularly stronger 3.4%. In seasonally adjusted terms Aussie retail sales have risen only 0.5% over the past three months. In NZ the change has been 0.4% (cars etc. included).

So more than the labour market is in play here and when it improves it is not guaranteed NZ retail spending will show firm growth. There is certainly not a negative migration factor in play because in the year to February NZ's net migration flow has been a well above average gain over 21,000. There is also not a house price angst thing in play we would suggest because compared with a year ago the average house sale price in March was up 6.8% and ahead 0.5% from the level in December.

The weak retail spending growth is however clearly tied we think to weak credit demand. The monthly lending data gathered by the RB show that in February household debt was only 2.7% ahead of a year ago and that rate of growth has remained largely unchanged since March last year. Housing debt in February was ahead 3.2% from a year ago and non-housing personal debt down 3.9%.

Consumers appear focussed on repaying debt and if this is truly the factor restraining higher household spending then it becomes very difficult to tell when the spending will appreciably rise. That is because we cannot be certain when debt aversion will pass and that is a key factor which will make this coming period of monetary policy tightening for the RB an interesting possibly stop-start affair. Once the rises kick off they will be searching long and hard for evidence of the impact of rate rises in the official spending data eventually but initially in survey data such as our own monthly survey. The first one after their initial tightening may give some interesting insights.

But there is of course going to be a big problem for the RB as they make their assessment - the spending numbers will be messed up by the actions we take ahead of the probable increase in GST to 15% from October 1. We are likely to spend more – but how much more?

The upshot of this uncertainty (without even taking into account business sensitivity to rising borrowing costs which we think could be high) is that predictability of yield curve movements is very low at the moment and likely to remain that way. This is not going to be a normal tightening cycle therefore movements in rates further along the curve from the cash rate and bill yields are unlikely to be normal. And of course as we have pointed out for many years the further out along the curve one goes the less the impact of domestic monetary policy and the greater the impact of rate movements and events offshore.

Those events and movements offshore are quite uncertain. In Europe the immediate focus on when the European Central Bank will start raising its cash rate from 1% reached in May last year has been washed away by concern about the budgetary positions of high deficit escalating debt economies such as Greece of course, but now Portugal and with others to follow. The situation for Greece appears to be grinding inexorably toward an official default of some sort with the recently announced agreement to provide funds from the EU and IMF not as great as it seems.

The bigger picture in play here is whether there is a widening role for the EU in overseeing the fiscal policies of Euro-Zone members. The Euro-centrists see the current crisis as an opportunity to extend the EU's powers. Others, like Germany, are determined to limit this outside influence on their affairs. This debate is over and above the one regarding the high unwillingness of German people to see their taxpayer funds diverted toward the poorer southern economies to a greater extent than is already the case under the EU structure. Their view is that fiscal impropriety should not be rewarded with extra subsidies and that those who failed to be as fiscally and economically strict as the Germans and perhaps some other economies should pay the price for their laziness.

Not that there is not going to be a big price to pay. The Greek economy is slipping into a deeper and deeper recession with awareness that while in normal times a country with a floating currency would see a massive depreciation to take care of the bulk of the economic devaluation, with the Euro structure this is not possible. Greece's adjustment is going to have to come from falls in wages and prices – outright deflation. Achieving that means sharply higher unemployment and already the rate has climbed from 10.2% in December to 11.3% in January.

It is unclear when the default point will be reached for Greece and how bad the spread will be to other economies. Therefore it is hard to pick impacts on government and therefore broader swap curves around the globe plus the most probable path for European economic growth which is already lagging well behind the Asian economies.

Lets not forget also the uncertain element of the impact on European growth (and even growth here) of the interruption to air travel caused by Iceland's volcano.

One could write tomes here but the upshot is that NZ borrowers should not fall into the trap of thinking that when our tightening cycle starts one can make a strong stab at its duration, magnitude, and impact at particular points of time further along the curve. Because of that uncertainty one should not blithely ignore the security which having a portion of one's debt at a fixed rate can give.

Over the past week both bill yields and swap rates have ended about where they were last week, and a month ago, and even three months ago!

Key Forecasts

- Tightening mid-2010.
- Medium to long term housing rates to rise again in a few months.

FINANCIAL MARKETS DATA

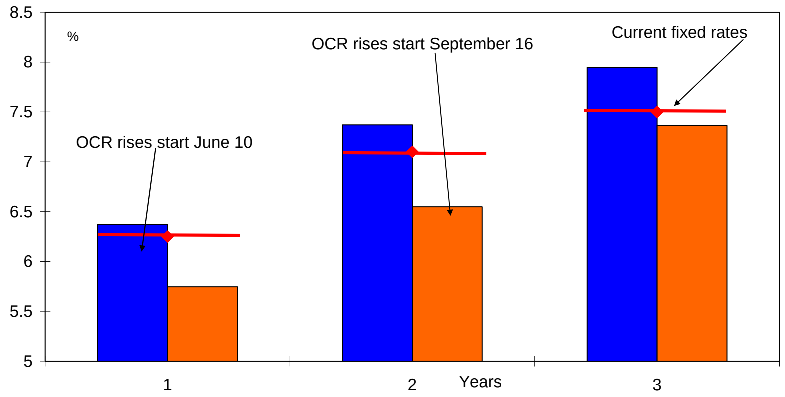
	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	2.50%	2.50	2.50	2.50	3.00	6.2
90-day bank bill	2.72%	2.72	2.69	2.80	3.04	6.5
1 year swap	3.51%	3.49	3.48	3.68	3.13	6.7
5 year swap	5.31%	5.30	5.29	5.41	4.78	7.0

If I Were a Borrower What Would I Do?

As each week goes by we get a bit closer to the time when we expect floating mortgage rates to rise. If we are right about the tightening cycle starting on June 10 then from shortly after that date we will see rates going up. At 5.59% our Total Money floating rate is appreciably lower than the three year rate at 7.5%, two year rate at 7.1%, and even the one year rate at 6.25%. If nothing else changes then the floating rate will reach the one year fixed rate in the middle of September then sit above it for the remaining nine months of the one year term.

But of course as floating rates rise so too will the fixed rates, though as discussed above it is unreasonable to take a firm view on how exactly those rates will behave in these very uncertain times.

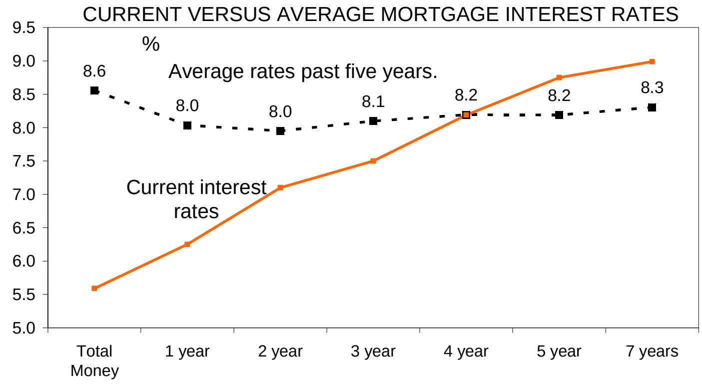
If I were borrowing at the moment my starting point would be to acknowledge that we are not going to see lovely low long term fixed housing rates until some completely unknown year down the track. The last graph in this section over the page shows how those low rates for the likes of the five year term appeared in 1998, 2003, and last year. Best guess on that sort of cycle – maybe 2013.



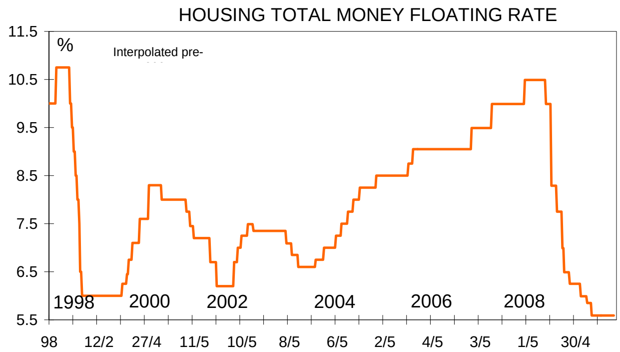
So until those low rates come along – after the economy has fallen into a new downturn for a while - I am only going to be thinking about floating and terms out to three years at the very very longest. The graph just above compares current 1-3 year fixed housing rates with where we think the floating rate will average over the relevant periods of time if our forecasts prove correct.

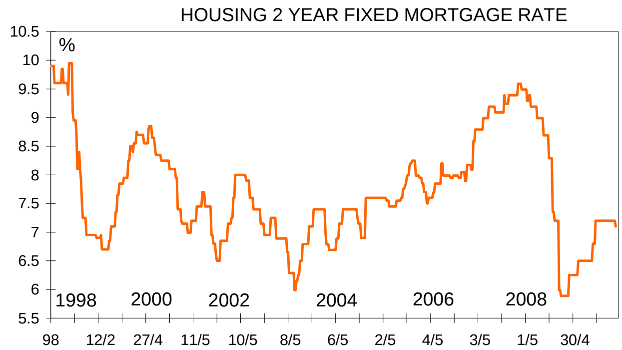
The analysis at this stage says for the bulk of borrowers looking at still paying off their debt in three years time, there is a slight advantage to taking the three year rate at 7.5% rather than riding the floating rate roller coaster. But personally I wouldn't because there is a risk the tightening cycle not only does not start on June 10, but that it is more stretched out than we are currently thinking.

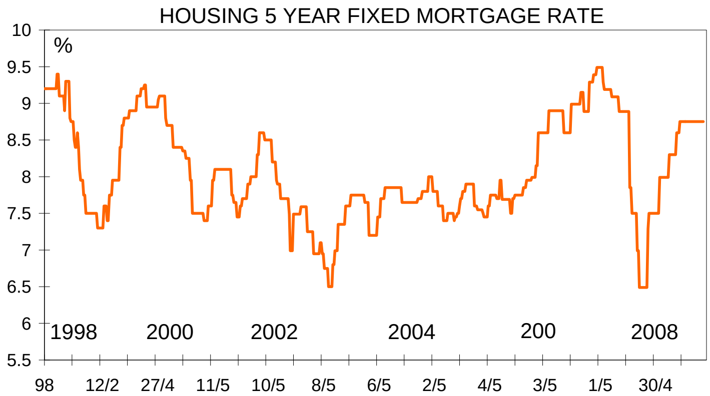
There is no evidence that currently low borrowing costs are encouraging borrowing and spending by either consumers or businesses. The currency is above average and likely to rise further and this will take some of the tightening strain. Plus the world still looks like a very risky place with potential for some downside growth surprises somewhere down the track. And there remains lots of spare capacity in our economy and around the world on average.



Therefore I would be quite happy to stay floating for the moment working away at getting my debt down as quickly as possible.







If I Were a Term Deposit Investor What Would I Do?

I could put the term deposit portion of my portfolio away for five years and earn 6.75%, or keep it short with a 180 day term at 4.9%. If I keep it short then in six months time I will need a four and a half year rate of 6.95% to leave me in the same position as taking the five year rate now. Given we expect the Reserve Bank's tightening of monetary policy will lift both short and long term rates, and given that there is upside risk to long rates associated with the worsening government debt crisis in Europe, I would be inclined to take the six month rate on offer and in six months time do another calculation comparing what will be a higher six month rate then with the then five year or thereabouts rate.

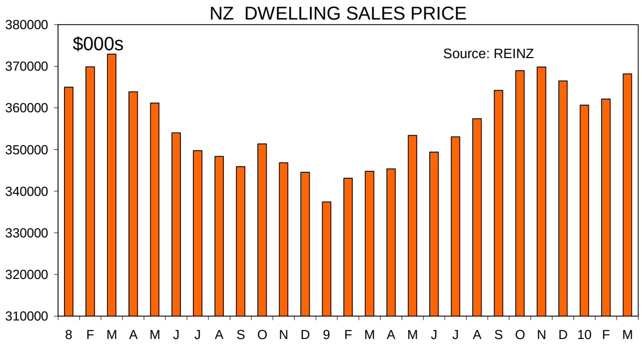
We're just building a database of historical term deposit rates at the moment so will have some graphs to include here eventually.

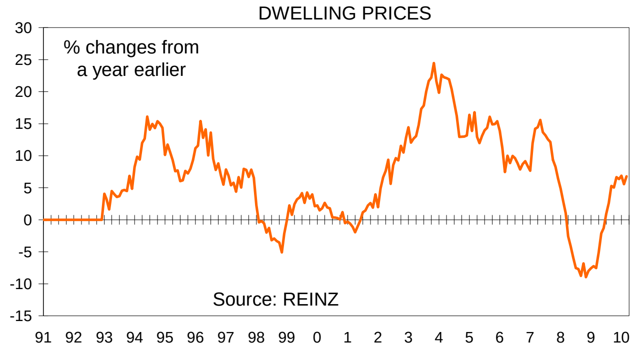
HOUSING MARKET UPDATE

May 20 Awaited

The REINZ released their nationwide real estate data for March this week and the most important thing they show is that the market is stable. There is no accumulating downward pressure on either prices or sales as a result of worries about tax changes, and there is no evidence of properties increasingly sitting on the market for longer and longer periods of time.

That does not mean the market is strong of course and one does not have to go far to find examples of locations where activity is very weak and properties are not selling. But it is the short term shift we are interested in here and not the level of activity and that short term shift appears no longer to be downward.

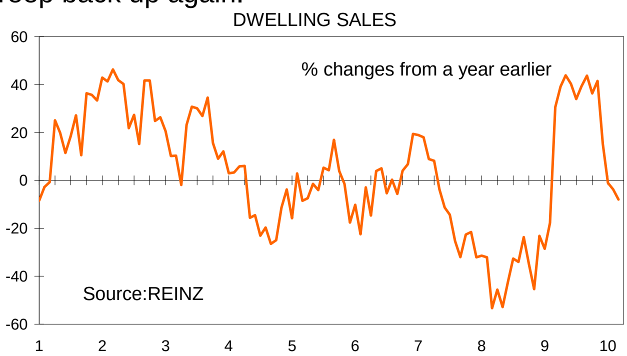


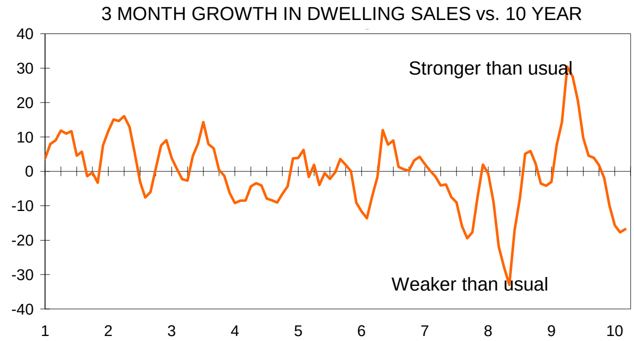


The median dwelling sale price improved 1.7% in the month and now sits 6.8% up from a year ago, and just 0.4% below the sigh of relief-driven level of November last year. The rise is important because it shows one should not blindly extrapolate the 1.3% decline recorded for the March quarter on average into the coming quarters.

Having said that, there is a lot of uncertainty out there regarding how investors will truly react when their tax benefits change. No-one knows. One suspects however that if there was going to be a wholesale rout it would have happened by now. However we feel there are still more sellers to come out of the woodwork once the details are announced on May 20 and of course there are thousands of properties people would like to sell and have probably tried to sell in the past year which will be put on the market (again) when a hint of strength returns.

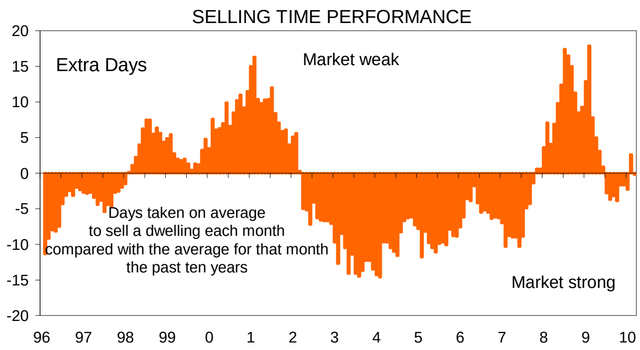
That means we could easily see some post-May 20 weakness and the remainder of the year is likely to remain characterised by general restraint. But come 2011 we expect the simple fundamental of a shortage of properties as construction struggles to rise firmly from the lowest levels in four decades to cause prices to creep back up again.

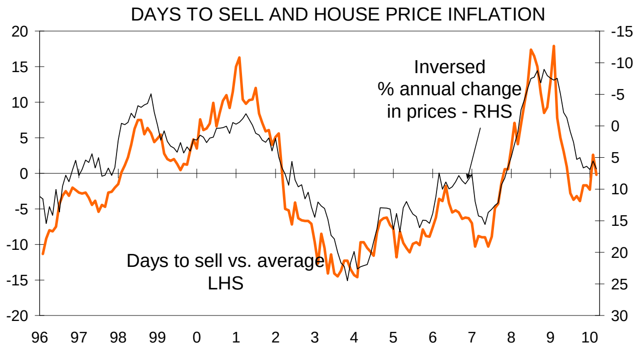




In March there were 6,161 properties sold around the country which was an 8% fall from a year ago but good 10% seasonally adjusted gain from February. February was also a gain of around 8% s.a. from January (down 20%), so the very important point to note here is that the January shock has not continued.

Adding to the picture of a market holding reasonably stable was the average number of days taken to sell a dwelling falling to 35 in March from 46 in February – which actually means nothing because March is normally a very strong month. Instead one should compare days to sell with the average for the relevant month and doing that we see the measure in March was 0.2 days faster than average whereas February was 2.6 days slower. The data suggest there is not a cessation of buyer interest.



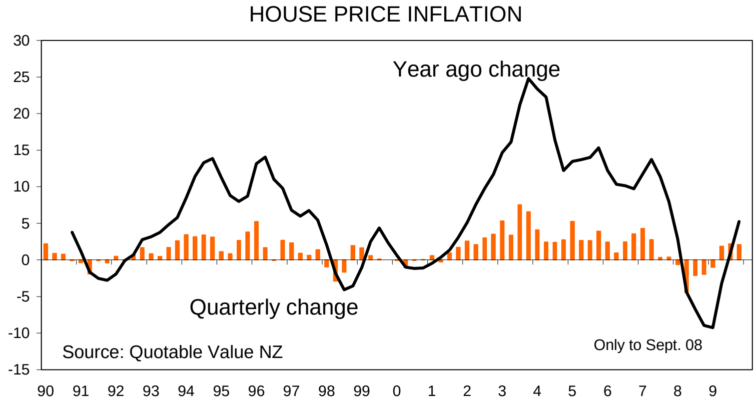


All up the data show things reasonably stable and although we expect similar in the April numbers due in the second week of May, it is the May 20 Budget to which we now turn greatest attention. Get it over with Bill.

Quarterly QVNZ Data

The REINZ house price measure rose 2.8% over the December quarter after rising 2.5% during the September quarter. Over the March quarter their measure fell 1.3%. We receive the REINZ data early so take their price measure as a guide as to what is really going on, and we ignore the monthly release from Quotable Value NZ as it does not include much up to date information.

But we definitely use the QVNZ numbers on a quarterly basis as they are the definitive word in price changes – even though they are released with a considerable lag. To whit… During the December quarter the QVNZ average house price measure improved 2.1% after rising 2.2% during the September quarter. These numbers are slightly weaker than the REINZ increases, but maybe that just means the REINZ 1.3% March quarter fall overstates what really happened in the first part of this year.

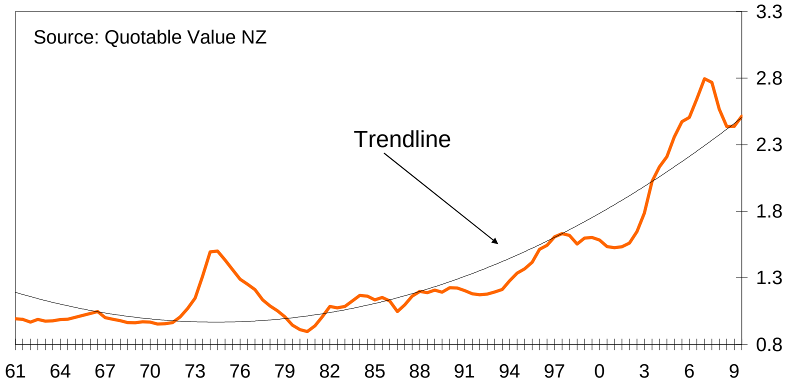


Anyway, for anyone interested in quite accurate local authority based data we recommend the QVNZ numbers. For instance, they show that during the December quarter average Auckland house prices rose 3% to lie 9.4% up from a year earlier. The Hamilton rise was 1.1% for the quarter and just 4% on a year ago. Wellington's rises were 2.7% for the quarter and 6.7% on a year ago, Christchurch 2% and 6.4%. Dunedin 0.6% and 5.7%, Invercargill 2.3% and 3.7%, and Queenstown 3.1% and 0.1%. Note the rural/urban divide.

Now lets do a piece of analysis we only throw in here about once a year. We look at how house price changes compare with their trend movement against general inflation. This is meant to give a broad feel for whether prices seem well over, near, or well below trend and maybe some people find this useful. We don't really as those people who used this type of analysis not only misread the continuing strength in the housing market from 2004-07, they also missed the limited extent of the decline attributable to our recession and the global financial crisis, and did not pick the rebound. So be careful.

We present three graphs which differ only in the starting point. The first commences in 1961 and shows the ratio of average house prices to inflation to be on trend. The second starts in 1979 and the third in 1992 and they show average prices below trend. Have fun.

RATIO OF ALL-NZ HOUSE PRICE INDEX TO CPI



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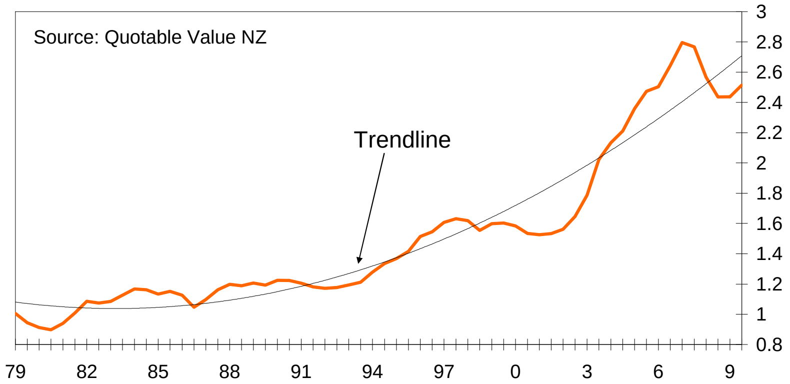

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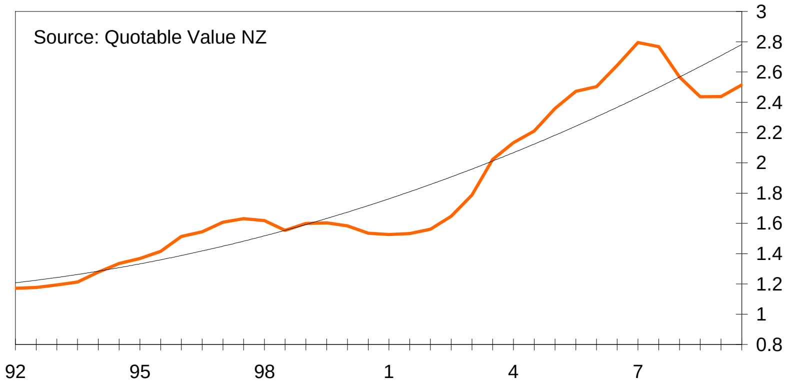


Are You Seeing Something We Are Not?

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

Key Forecasts

- Dwelling consent numbers to recover now with potentially good activity from late-2010.
- House prices edging higher after tax change effects wend their way through.
- Sales recovering later this year.

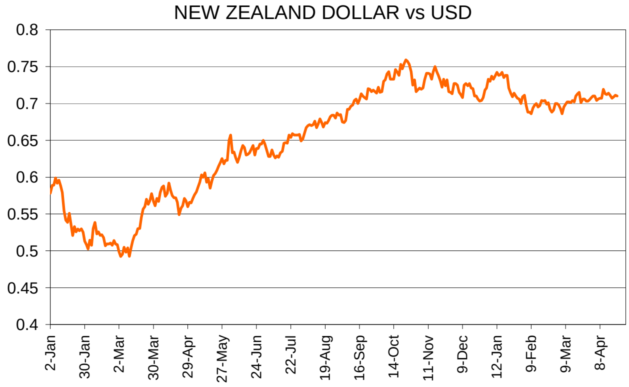
Exchange Rates & Foreign Economies

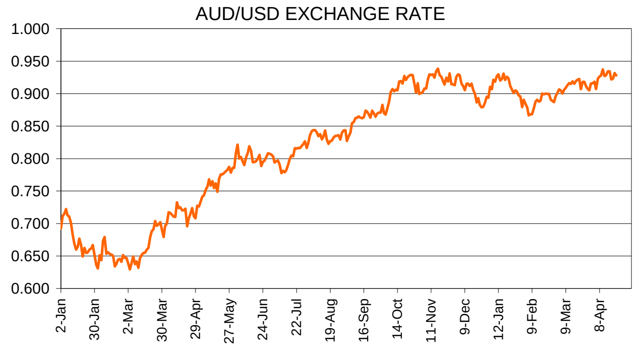
Exchange Rates	This Week	Week Ago	4 wks ago	3 mths ago	Yr ago	Consensus Frcsts yr ago*	10 yr average
NZD/USD	0.710	0.714	0.701	0.714	0.549	0.535	0.592
NZD/AUD	0.765	0.764	0.773	0.788	0.789	0.778	0.856
NZD/JPY	66.10	66.50	64.00	64.40	53.8	53.5	66.8
NZD/GBP	0.461	0.461	0.471	0.440	0.378	0.357	0.345
NZD/EUR	0.530	0.523	0.522	0.505	0.425	0.404	0.51
USD/JPY	93.10	93.14	91.30	90.20	98.00	100.0	113.9
USD/GBP	1.540	1.549	1.488	1.623	1.452	1.50	1.709
USD/EUR	1.340	1.365	1.343	1.414	1.292	1.324	1.156
AUD/USD	0.928	0.935	0.907	0.906	0.696	0.688	0.69

Kiwi Stuck In A Range

The Kiwi dollar this evening is sitting at around US71 cents and this is easily within the range it has traded in over the past couple of months and unchanged in any important way from about 71.4 cents this time a week ago. At the moment there are two major forces acting on the Kiwi dollar and they are tending to balance each other out. First there is the generally improving global risk environment as seen in sharemarkets continuing to creep higher. There are definitely well founded worries about Greece's seemingly inevitable slide toward default – and if the appalling inability of the Europeans to adequately gauge dust thickness for five days while closing most of their airspace is any guide the chances seem slim that Greece's default will be nicely handled. Then there is Portugal, Spain, the UK, and so on.

The US Securities and Exchange Commission has also charged Goldman Sachs investment bank with fraud and the German and UK leaders have jumped on the pile to say they do want a piece of the action. These actions have also disturbed markets over the week.



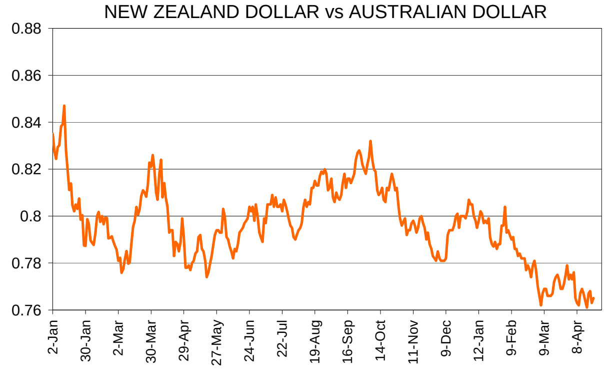


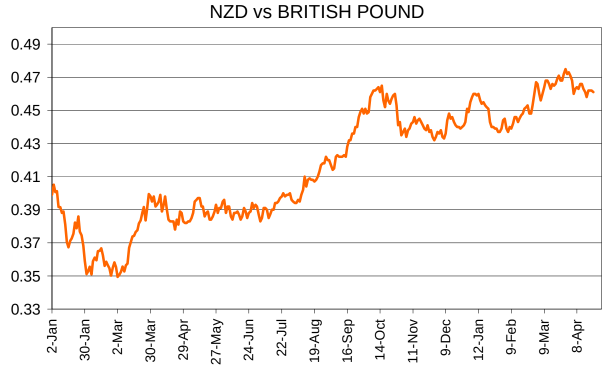
But while these factors bode badly for risk tolerance the underlying theme globally is of improving growth prospects driven by Asia and to a lesser extent the likes of some better than expected data recently on the United States economy. Improving growth forecasts and risk tolerance tend to place upward pressure on the Kiwi dollar. So do rising commodity prices and we are catching a bit of a lift from the still generally firming Aussie dollar.

But offsetting this upward pressure has been the run of generally weaker than expected data released in New Zealand recently. Retail spending has been falling, debt deleveraging appears to be continuing at a fearsome pace, and there is a new drought underway. This latter factor is one we all pay a lot of attention to – ever since the effects of the 1997/98 drought were grossly underestimated by us city-based forecasts.

In addition we saw this week's March quarter inflation number come in lower than market expectations – at 0.4% rather than 0.6% - and this result plus the other data have combined to push out even further monetary policy tightening expectations. The markets are now pricing the first tightening in July and the chances are rising that we will officially shift our view out there soon as well.

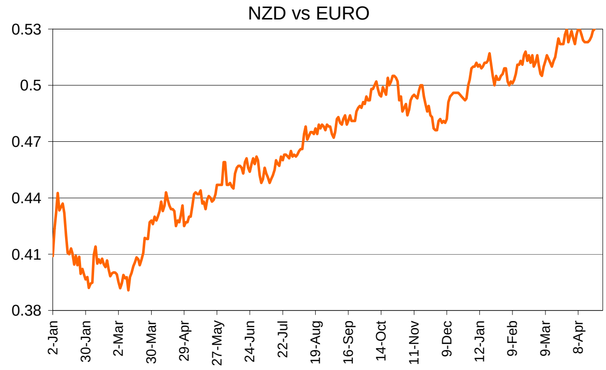
Later this year, when NZ monetary policy is being tightened and we expect to see some better numbers of the labour market, housing market, retail spending, and belatedly business investment, we expect the NZD to move higher and eventually exceed US75 cents. But for now the chances seem good that the range-trading we have seen for two months will continue.

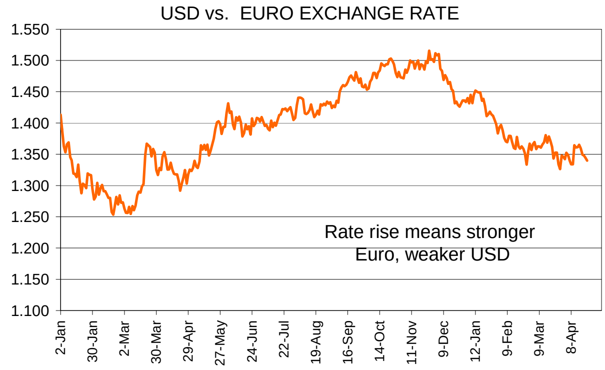




Against the Aussie dollar the NZD has ended the week exactly where it was a week ago near 76.5 cents and it would not be surprising if we shed a bit more ground against the AUD in the near future. Aussie economic data are still tending to be firm and it is possible the RBA tightens monetary policy again before the tightening cycle kicks off here. Against the British pound the NZD has also finished unchanged just over 46 pence. Both the Pound and NZD were sold lower during the early part of the week in response to a period of flight to quality buying of Yen and USDs associated with worries about the economic impact of the interruption to air travel caused by Iceland's volcano.

Against the Japanese Yen the NZD is also largely unchanged from last week just over 66 Yen with early weakness associated with investors selling risky currencies and buying JPY reversed as airspace was opened in Europe. Against the Euro however the NZD has firmed to back to the 53 centime level of a fortnight ago from 52.3 last week with the Euro taking a sustained knock because of the air travel worries.





One probably shouldn't do this – but what the heck. This is an email someone sent during the week.

"From my limited understanding, Japan is a very wealthy country. Are you able to explain why the JPY to NZD ratio is so high?"

We replied.

"On average since the NZD was floated in 1985 it has averaged 73 yen. We are at 66 so the NZD is below average."

They replied.

"I was under the impression that Japan's economy is stronger than ours. If this is true, why is our dollar worth more than the yen?"

We replied – still trying to keep a straight face.

"Our dollar is worth 66 Yen, 0.46 of a British pound and so on. These are rates at which these different currencies exchange. I fail to see the issue here. Ask yourself, how many raisins do you need to buy one grapefruit? How much of an apple will one pear buy you? Those are the rates of exchange between these different things."

They did not reply after that, perhaps finally grasping that there was never a Day Zero when all countries were given a currency which bought exactly one of every other countries' currency.

Someone in Europe asked this question during the week.

"I am envisaging to invest a part of my pension fund in high quality bonds (AAA) maturing in 2 to 3 years, all worded in NZD. Coupons are between 4.5 and 5 1/8% and market prices around 101%. How do you think the evolution of the NZD will be in the coming years ? I read articles going opposite ways."

Our reply was to note the massive uncertainty surrounding world growth prospects over the next few years, our belief that exchange rates can't be reasonably predicted anyway, and to look at the FX rates table above showing the Consensus view a year ago for where the NZD would be now. That view was 53.5 cents – an error of "only" 17 cents!

And another one…

"He has approx $X00,000 NZD worth of GBP paying next to nothing in UK. With current exchange rates he does not wish to convert but will have to convert pre Dec for a home settlement.

He realises we have no crystal balls but his opinion is that with UK elections mid year there will be some strengthening of the GBP. He would like to know if your team give any credibility to his belief!!."

We noted that if there is a hung parliament in the UK the pound will probably weaken, that currency predictability is minimal anyway, and he may as well convert bits of the amount over time and spread the risk ahead of December when he needs the funds in NZDs.

For more detailed commentaries from BNZ and the NAB group on foreign currencies, commodities, etc click on the following link.
https://research.bnz.co.nz/Research/Pages/default.aspx

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

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%	-0.2	2.0	3.0	3.4
GDP growth	Average past 10 years = 3.0%	+0.8	0.3	-1.6	-0.1	2.8
Unemployment rate	Average past 10 years = 5.3%	7.3	6.5	......	4.7	3.5
Jobs growth	Average past 10 years = 1.9%	-0.1	-0.8	-2.4	0.9	2.1
Current a/c deficit	Average past 10 years = 5.5% of GDP	2.9	3.2	......	8.7	8.0
Terms of Trade		5.8	-1.6	-8.2	1.8	8.8
Wages Growth	Stats NZ analytical series	0.4	0.8	2.7	5.4	5.0
Retail Sales ex-auto	Average past 9 years = 3.8%.	1.3	0.7	1.3	-0.6	2.8
House Prices	REINZ Stratified Index	-1.3	2.8	6.4	-7.4	2.9
Net migration gain	Av. gain past 10 years = 11,700	+21,618	20,021yr	......	6,160	4,644
Tourism – an. av grth	10 year average growth = 5.0%. Stats NZ	2.4	-0.6	2.4	-2.4	2.2
		Latest year rate	Prev mth year rate	6 mths ago	Year ago	2 yrs ago
Consumer conf.	10 year average = 2%. Colmar survey	46	36	57	3	-34
Business activity exps	10 year average = 26%. NBNZ	41	37	26	-20	2
Household debt	10 year average growth = 11.3%. RBNZ	2.7	2.7	2.4	4.2	12.4
Dwelling sales	10 year average growth = 3.5%. REINZ	-3.8	-1.1	39.3	-17.7	-32.1
Floating Mort. Rate	(Total Money) 10 year average = 7.6%*	5.59	5.59	5.99	6.25	9.99
3 yr fixed hsg rate	10 year average = 7.9%	7.50	7.95	7.75	6.75	9.49

ECONOMIC FORECASTS

Forecasts at Apr. 8 2010	March Years					December Years				
	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011
GDP - annual average % change										
Private Consumption	3.2	-1.1	0.6	3.1	2	3.9	-0.3	-0.6	3.1	2.1
Government Consumption	4.9	4.2	0.8	2.2	2	4.4	4.8	1.4	1.8	2.1
Investment	5.5	-7.2	-9.9	5.8	8.9	5.5	-3.6	-12.3	2.6	9.5
GNE	4.6	-1.6	-3.3	5.6	3.2	4.6	0.4	-5.1	5.1	3.5
Exports	3.1	-3.4	2.4	1.2	5	3.8	-1.4	0	1	4.8
Imports	10	-4.7	-9.9	7.4	4.7	8.9	1.9	-14.9	7.3	4.6
GDP	2.9	-1.4	-0.4	3.6	3.2	2.8	-0.2	-1.6	3	3.5
Inflation – Consumers Price Index	3.4	3	2.3	4.8	2.8	3.2	3.4	2	4.8	2.7
Employment	-0.2	0.8	-1.3	2.5	3.2	2.3	0.9	-2.4	1.6	3.4
Unemployment Rate %	3.8	5	7.2	6.9	6.1	3.5	4.7	7.3	7.1	6.3
Wages	4.3	5.1	2.7	1.8	3.6	4	5	3.1	1.8	3.2
EXCHANGE RATE ASSUMPTIONS										
NZD/USD	0.8	0.53	0.7	0.72	0.66	0.77	0.56	0.72	0.73	0.68
USD/JPY	101	98	91	104	108	112	91	90	100	106
EUR/USD	1.55	1.31	1.36	1.32	1.28	1.46	1.34	1.46	1.33	1.29
NZD/AUD	0.87	0.8	0.77	0.81	0.81	0.88	0.83	0.79	0.8	0.82
NZD/GBP	0.4	0.37	0.47	0.41	0.37	0.38	0.37	0.44	0.43	0.38
NZD/EUR	0.52	0.41	0.52	0.54	0.52	0.53	0.41	0.49	0.55	0.52
NZD/YEN	81.1	51.8	63.7	74.4	71.3	86.3	50.9	64.2	73	71.6
TWI	71.6	53.8	65.1	68.3	65	71.6	55.1	64.7	68.7	65.9
Official Cash Rate	8.25	3	2.32	4.25	6	8.25	5	2.5	3.75	5.75
90 Day Bank Bill Rate	8.91	3.24	2.67	4.57	6.15	8.9	5.23	2.78	4.07	6.07
10 year Govt. Bond	6.36	4.77	5.86	6.3	7	6.4	4.88	6.02	6.1	6.8

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.

*extrapolated back in time as Total Money started in 2007