BNZ Weekly Overview

13 May 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.

Main News Offshore This Week

We have learnt little new about the New Zealand economy over the past week apart from the manufacturing sector continuing to benefit from the growth in Australia and below average NZD/AUD exchange rate, and NZ consumers remaining very unwilling to spend. The main pieces of news have come from offshore where in Europe and the UK a new wave of fiscal austerity is in the process of being imposed as countries belatedly realise the willingness of investors to keep financing over-spending is not what it used to be. The implication for NZ is some downside risk to growth in those economies for the coming year or two along with further NZD appreciation against the Euro and Pound, especially as the Euro's mana as it were has been severely damaged not just by the Greek-initiated fiscal crises but the weakening of the European Central Bank's independence.

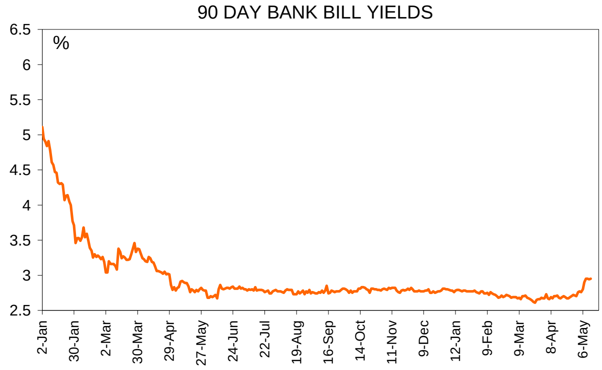
In China the economic data have largely remained strong and this is good for the steadily growing proportion of our exports going there – now up to about 10% of total merchandise exports – and of course growth in Australia. But in that regard the growing worries about inflationary pressures and speculative bubbles in China risks some disturbance to growth optimism, the Aussie dollar etc. as the Chinese authorities inevitably take stronger and stronger measures to restrict credit growth. The relevance for Australia is bouts of concern about commodity prices and that feeds through into the NZD/AUD exchange rate (rising) and medium term growth prospects for exports to our largest trading partner/.

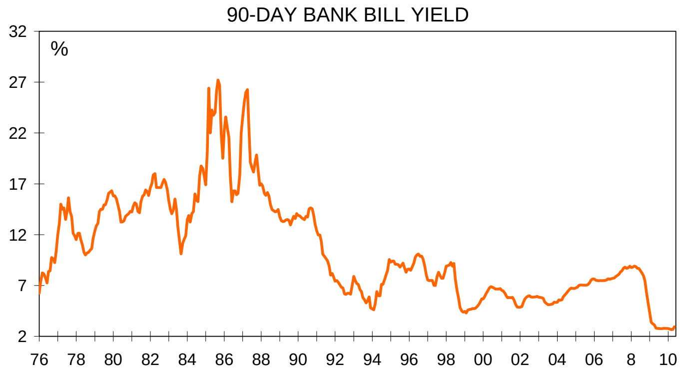
In the United States the data have largely been quite positive recently as seen in Friday night's better than expected jobs report. Over half a million jobs have appeared in the US over the past two months and that bodes well for the growing view that US growth is becoming self-sustaining. But it still seems too early to expect the Federal Reserve will start raising its interest rates and therefore with our rate rises likely to start in June the outlook remains for the NZD to appreciate unsteadily against the greenback as the year progresses.

So, rising NZD hitting exporters but cutting some import costs, yet rising interest rates soon, rising materials prices, rising petrol and electricity prices (ETS), and rising GST probably from October 1. It all adds up to some extra expense pressure for a lot of people in the coming year. Will this risk cementing in some new high inflation? Not really as that requires the second round effect of higher wage claims and one suspects that although the labour market is tightening up potentially early – as we have suggested over the past few months – the chances of employees feeling their job security is great enough in the coming year to seek compensation for annual inflation eventually approaching 5% seem slim. Next Thursday 20th – the annual Budget!

INTEREST RATES

There has been little movement in swap rates this week after the jumps a fortnight ago, but with the markets increasingly convinced June 10 will bring an increase in the official cash rate from 2.5% to 2.75% bank bill yields have increased. The 90-day bill yield has risen to 2.95% from 2.80% last week. In theory this could lead to banks raising floating mortgage rates before June 10.





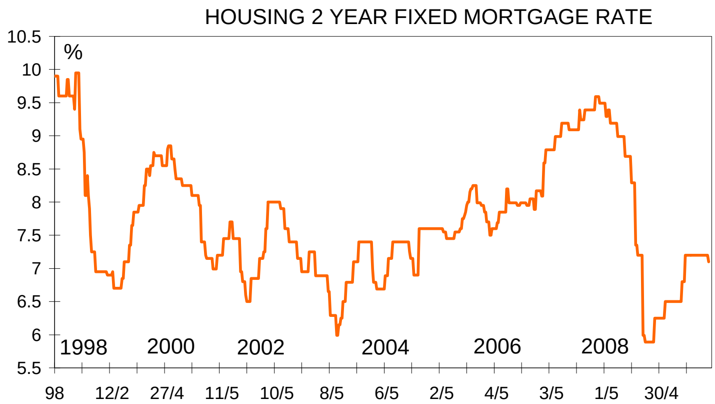
Key Forecasts

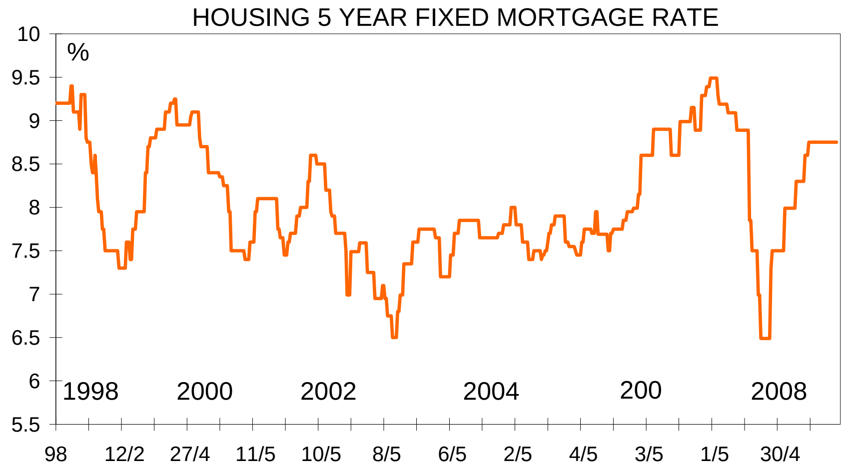
- Tightening mid-2010.
- Medium to long term housing rates to rise again in a few months.

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	2.50	6.2
90-day bank bill	2.95%	2.80	2.70	2.74	2.90	6.5
1 year swap	3.80%	3.79	3.49	3.47	2.99	6.7
5 year swap	5.43%	5.44	5.30	5.28	4.83	7.0
180-day term depo	4.80%	4.80	4.70	4.88	3.15	6.0
Five year term depo	6.75%	6.75	6.75	6.75	6.00	6.5

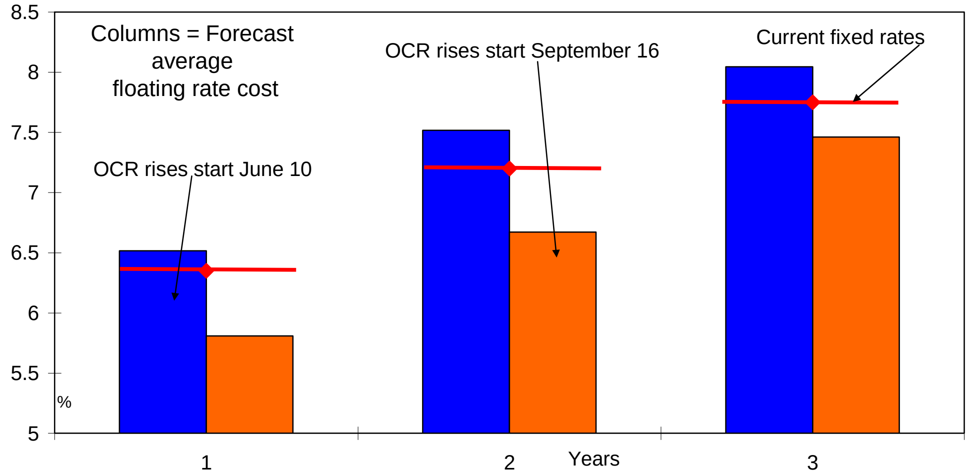
If I Were a Borrower What Would I Do?

On March 19 last year we strongly suggested fixing one's mortgage for five or seven year periods. Lots of people did. As soon as we said that the massive volume of switching from floating to fixed pushed fixed lending rates up sharply to the point where somewhere during the September quarter we said one may as well now simply stay floating and not seek a low long term rate until many years down the track when the cycle had gone up then back down again.





Then earlier this year we introduced commentary along the lines that for those with a bit of risk intolerance a point would come around May- June when one would hop out of the floating rate just before it started rising and opportunistically took a short term fixed rate – one or two years. That point has been reached – in fact it was more accurately reached last week because this week we have increased our one and two year fixed rates by 0.1% and the three year discounted rate has been pulled leaving the next alternative 0.25% higher.



These rate rises have been driven by three factors. The first is that swap rates, as noted last week, have increased. The second is more important and is more in the lines of a pricing behavioural change brought on by the events of last year and the current Greece crisis.

Last year tens of thousands of floating rate borrowers suddenly switched from floating to fixed and this cost banks millions of dollars. The cost arose because when we banks lend fixed we borrow fixed to remove the margin risk. But there were few fixed rate lenders to banks a year ago so as we tried to fix our borrowings fixed rates to us shot skyward at a faster rate than we were able to raise our fixed lending rates.

More accurately perhaps, historically we have tended to bundle the fixed borrowing requirements up and maybe do our borrowing once a week whereas we are lending out every day. That process meant there could be near a one week lag between lending fixed and borrowing fixed and last year bank borrowing costs soared daily as we all tried increasingly desperately to cover our rising fixed rate lending. Millions of dollars of margin revenue was lost.

The behavioural change in place now then is that the gap in time between us lending to you fixed and us borrowed fixed has been reduced – perhaps removed. In the past week and a half there has been a mild rise in the number of people moving from floating to fixed. The movement has not been large but it is enough to elicit a housing interest rate response which in the old days probably would not have occurred.

The relevance of Greece is that less than a week ago when the sharemarkets were in freefall worried about the Greek situation banks in the northern hemisphere once again became less willing to lend to each other. That is, elements of the post-Lehman's collapse crisis in the credit markets started to appear last week. To forestall the spread of the sovereign debt crisis in Europe into the banking markets once again we have seen the huge stabilisation fund announced by the EU under substantial pressure from the Americans only too keenly aware of how the world economy would be affected if the Europeans failed to stop the Greece – initiated rout.

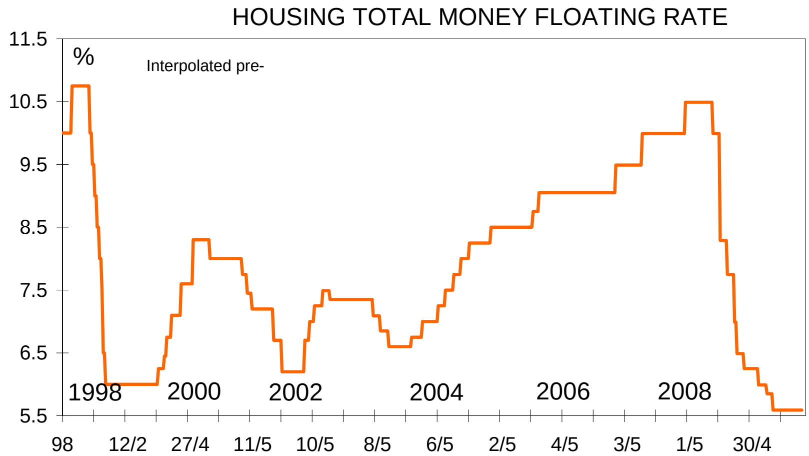
What that means is that with signs of banks finding it more and more difficult once again to raise fixed rate funding the danger of doing lots of fixed rate lending structurally increases. Hence the price response via higher fixed home lending rates.

If the initial bits of interbank lending tightness grow again in the next wee while then don't be surprised if fixed rates rise further.

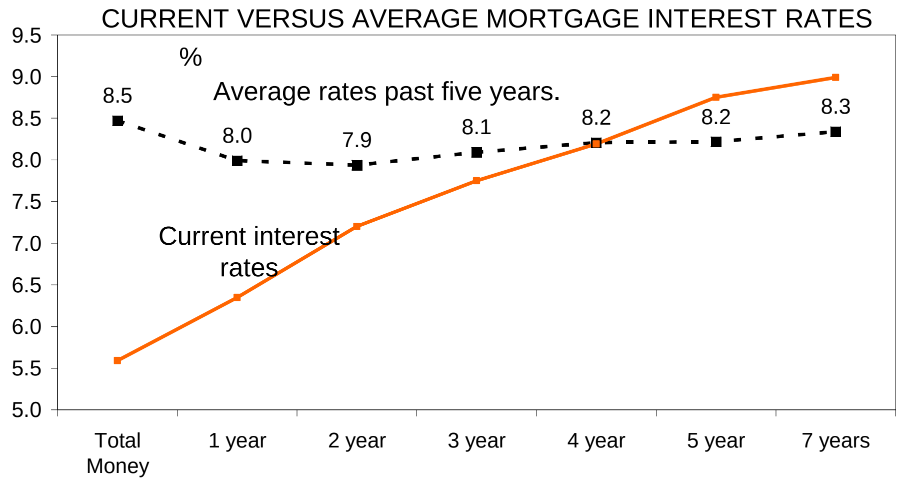
For myself then as a borrower what does the situation suggest? Given the new scare in the credit markets and the good NZ data released recently suggesting the RBNZ starts tightening come June 10, I would consider escaping some of the expected rise in floating mortgage rates coming up by fixing two years at 7.2%. That would be 1.69% more than I am paying now floating. Based on our forecasts I would do better over the next two years and three years fixing than floating. However cash flows are important to people at the moment and lifting one's mortgage rate voluntarily by over 2% (to fix three years at 7.75%) is a big call. So most people, including myself, will probably feel better fixing two years rather than three years.

But frankly, given the global risks still in play and the risk we are structurally more sensitive to interest rates now than in the past, what if the RBNZ does not raise rates at the steady pace we are projecting?

Whereas since the September quarter last year I have been outright in favour of sitting floating, now I would practically toss a coin between floating and fixing two years. You might do the same.

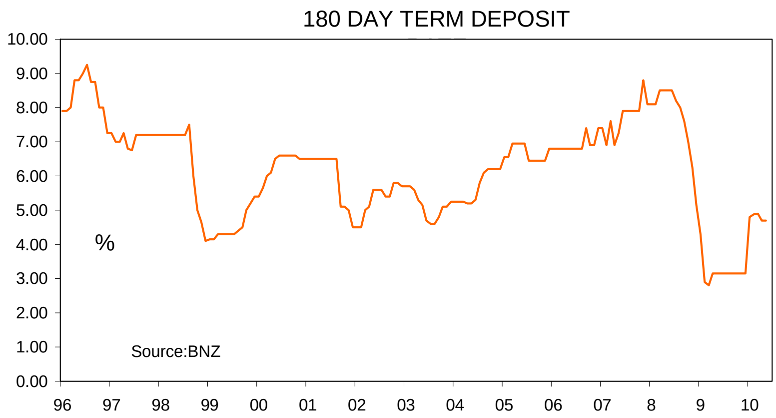


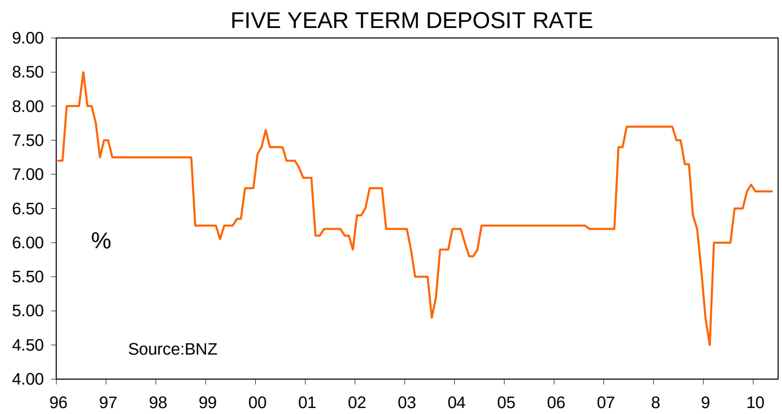
The important point to note however is this. The opportunity to hedge yourself against this rising part of the interest rate cycle came and went in March into April last year. Since then there has been no way anyone contemplating a mortgage over the next few years would be able to avoid at some point paying a relatively high mortgage rate. For about a year now borrowers have been able to take the lowest floating mortgage rates in four decades and work away at getting the principal down ready for when rates start rising. Now we are close to floating rates rising and it is a matter of personal choice whether one now fixes for a short to medium term or floats. Either way the cost is going to be roughly the same and the extent of exposure to the likely peak in rates over 2012-13 the same as well.



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

I still invest short term waiting for better long term rates. Of course the risk is I simply ride the short term end of the curve up for an extended period of time while the RB is tightening, and then somewhere down the track give thought to trying to pick when the long rates are at their peaks. At this stage we don't know when that will be.





HOUSING MARKET UPDATE

Market On Hold

For those who didn't get around to reading the housing responses from our monthly survey here they are.

- In real estate buyers are waiting in the wings for the budget to give some guidance and those few that are buying are being very firm in negotiations ensuring they do not overpay in their view. With interest rate rises forecast and the investor tax implications due the pressure is only going to increase in a tough property market. Companies and agents are finding times tough...
- Real Estate - Central Auckland. Many double income buyers looking to upgrade - just waiting to see how much additional disposable income they will have after Budget tax cuts - i.e. expecting 38% rate to drop to 30% or 32%. Most appear to want to take advantage of low floating mortgage rates and flat prices and the increased income from tax cuts will be the cream on the cake.
- Residential Real Estate, Hawkes Bay. Volume is low and prices are flat. Anyone selling a home they bought in the last 2-3 years can expect to achieve a similar price to what they paid for it. We are expecting volume to lift slightly after the budget, but otherwise a very non eventful year
- Real Estate Very flat/slow
- Real Estate on the North Shore is busy. Prices holding well but the lower priced houses are moving a little slower as investors wait for Budget.
- Real Estate Johnsonville: Still good sales activity with most sales under $450k. Good buyer numbers and reasonable numbers of listings available for purchase with a steady flow of new listings coming to the market
- Real Estate has slowed a bit , the feeling is that buyers are waiting to see if there's any magic pill being supplied to buyers.
- Real Estate Eastern Beaches looking good. Wellington Residential Real Estate. Less stock. Flight to quality. No investors. Prices up for good houses, down for average/poor.
- Residential Real Estate Pakuranga & Howick - Slowed considerably, buyer enquiry down, prices have dropped a bit, still getting a steady inflow of new listings but with unrealistic expectations. Many gone to 'holding mode' pending the budget but I don't think we can put all the blame there!
- Real Estate/valn more buoyant in wellington slower in provinces
- Real Estate - Been tough over the past two years... Confidence improving slowing... Not been easy...
- Pretty static at the moment, but the interest has gained some momentum amongst buyers. Real estate salesperson
- Real Estate Agency. Sales reasonable over the past 4 weeks, properties more likely to sell under $700000. More properties coming on the market than earlier in the year, Auction buyers wanting bargains, Investors waiting until the budget
- Real estate residential - North Shore. Quiet in the East Coast Bays. Open home activity reasonable but buyers reluctant to commit. Suspect they're waiting for the budget announcement next week.
- Property services Auckland - real estate sales solid but down on previous months. Record low vacancy levels in our substantial Auckland wide portfolio of managed properties, and lower levels of landlords thinking of selling. Rents creeping up - emphasis on creeping. Tenants sitting tight. Market still very price competitive for all services.
- Real Estate - Eastern Beaches. "Where have are the soldiers-I mean- buyers gone? Long time passing...!" There a few buyers who are making quick decisions, but most are showing no need to hurry, no need to pick one from the other right now, with a feeling of "There's plenty of time..!" So at the moment they are controlling the market. That is causing a slow down in sales, and will result in a shortage of stock as some vendors are withdrawing their properties and rent, to wait for the price they want. Some immigrant home owners are selling up and moving back to their country, but their purchase was at a high point in the market and they are trying to recoup their money by listing at too high a price for the current market! Until they can adjust to the current market, this will also cause a slow down in sales. Oh - the joys of real estate!
- Property - ok but overall feels like the market is sliding further in both res and comm with some invisible factors still to play out e.g.: sublease vacant space.

- I'm in the real estate industry , still a bit patchy. Most are waiting for the new tax laws to be announced.
- Real estate. Buyers still very cautious. We have noted an increase in some confidence in the $3-4m bracket in some suburbs, but overall, the market is still tough across all price brackets. (inner east and west Auckland). Sellers want/ need to sell but not many want to meet the market still.
- I work in the housing market. While there are a lot of listings. They are not selling as vendor expectations are too high and buyers are wanting bargains. There are no investors buying at the moment. Banks are also making lending difficult.
- Real Estate, Auckland Eastern Suburbs. After a very slow start to April (Easter & School Holidays)the month turned out to be our best for the year. A big shift in the mix to $1m plus sales. Investment property (units / apartments) very lack lustre. Listing now in short supply
- Real Estate Eastern Beaches. Hard to break the current standoff, buyers sat firmly on their hands waiting - for the budget I think . When the break comes I expect a steady and increasing flow of sales to take place. I believe prices will hold firm.
- Real Estate in Gisborne remains tight with vendors reluctant to accept market value which is often less than vendor expectation. Buyers are relishing their power and making negotiation difficult. However, activity is picking up as people venture out into the market with a view to purchase.
- Residential real estate Christchurch everything seems to be on hold until budget day .We have good levels of enquiry but converted that enquiry to runs on the board is proving very difficult
- Real Estate in Sunny Gisborne. Not at all happy at what's happening at present. Residential Sales down near 50% on usual years.
- Real Estate Industry. We are seeing sellers ready to meet the market and buyers finally starting to make a move with offers. I think some buyers are just sick of waiting. Investors are back in the market looking & buying - great news!
- Housing sector - vendors still too high in price expectations and need to get real if they wish to meet the market. Some sad stories starting to filter through with a few sales leaving negative equity for vendors. A legacy of excessive borrowing of 3-5 years ago. If interest rates move more than 1% we will see some desperate vendors out there simply trying to recoup their equity. They may not.
- XX Real Estate, Wellington. Strong demand across all price brackets. Particularly strong in the $2m + price range with 6 sales over this figure in the last 5 weeks. Plenty of new properties coming to market. A general feeling of confidence in the market place.
- Real Estate: Good buyer inquiry from locals and also from Australian buyers attracted by the exchange rate. However many vendors are still asking unrealistic prices. It is a wise vendor who considers the deal on the table to be a bird in the hand.
- Real Estate City and fringe...We feel that there may be more activity on the horizon however buyers still very cautious. Shortage now of quality stock.
- Property Investor - Things remain tight with cash flow. Comments from our recent property group meeting are banks insisting on P&I payments to deleverage risk and more tenants are faulting with rent payments. With GST going up, interest rates going up and depreciation changes ahead we know a few new landlords will be exiting the property game.
- Average - Real estate investing
- Property investment. we buy, acquire, for clients. Low end, crappy housing getting hit hard. Good quality stock that first home buyers can see themselves in still holding up well. Surely budget announcement, combined with demand supply imbalance, will see prices spike after budget.
- Real Estate - property investors are panicking about the May 20th budget so are sitting on the sidelines and stressing about changes to adversely effect their cash flow. Also homeowners and investors alike are very concerned about their cash flow being hit by rising interest rates which look like hitting us in 3 months time, so their spending is restrained and there is far less demand now for housing (compared to same time last year)...

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	0.717	0.727	0.713	0.700	0.606	0.535	0.592
NZD/AUD	0.798	0.801	0.769	0.786	0.792	0.778	0.856
NZD/JPY	66.60	68.20	66.40	62.80	58.5	53.5	66.8
NZD/GBP	0.482	0.481	0.466	0.446	0.397	0.357	0.345
NZD/EUR	0.566	0.567	0.524	0.511	0.444	0.404	0.51
USD/JPY	93.26	93.81	93.13	89.71	96.535	100.0	113.9
USD/GBP	1.488	1.511	1.530	1.570	1.526	1.50	1.709
USD/EUR	1.267	1.282	1.361	1.370	1.365	1.324	1.156
AUD/USD	0.898	0.908	0.927	0.891	0.765	0.688	0.69

Major Events Offshore

The Kiwi dollar has edged down slightly against the greenback over the past week but remains well within its recent trading range in the absence of any useful data releases, things slightly on hold ahead of the Budget next week (which is unlikely to have much if any impact anyway), plus the whole globe's attention of course being on events in Europe. Those events have been tumultuous with the Euro-zone's 16 Finance Ministers undertaking an emergency 14 hour meeting over the weekend which resulted in the announcement of a package around 3.00am Brussels time (our Monday afternoon) to try and stop markets selling debt of heavily indebted EU countries.

The package has been well documented elsewhere obviously and involves outright loans up to €110bn and then hundreds of billions of Euros of loan guarantees after that if needed for countries experiencing major problems in financing deficits. The European Central bank was also dragged kicking and screaming in the interests of preventing the breakup of the Euro-zone into agreeing to purchase government bonds of failing economies if needed. These purchases would be in the secondary market and the direct money injection would be offset by selling ECB notes and bonds.

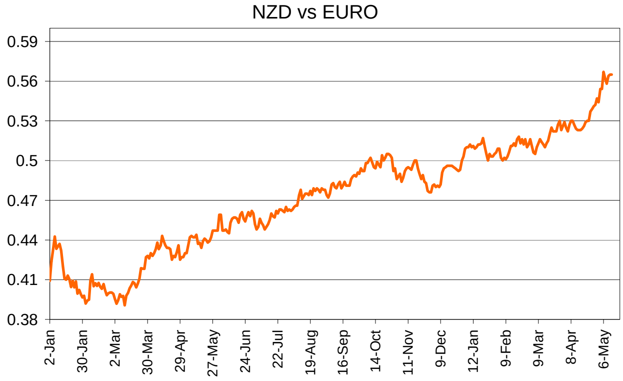
What does all this mean for the Euro and therefore in particular the NZD against the Euro? For now the rot has stopped – but to say there remain major doubts about the ability of the Euro to survive and the very nature of what it is the Euro-zone actually represents now would be an understatement. To some the movement of the Zone toward greater oversight of member fiscal policies is a welcome logical step reflecting the fact that the monetary union was always inherently a political one. On the other hand there are those who viewed the creation of the ECB and the Euro as basically replacing old institutions with a different version of the Bundesbank and the German deutschemark with the outcome meant to be the sort of monetary discipline so deeply loved by the Germans.

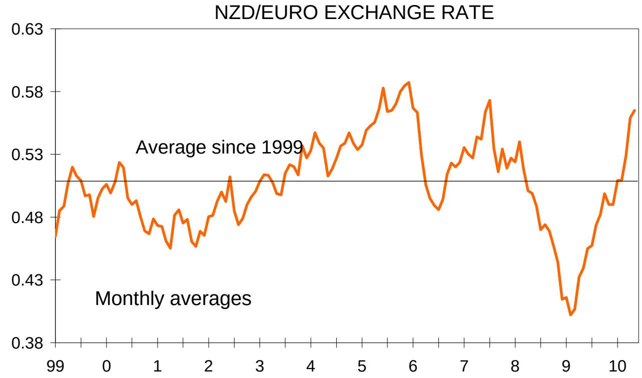
Fiscal discipline was supposed to follow via the Stability Pact whereby countries were to get then keep their ratio of debt to GDP below 60% and budget deficits below 3% of GDP. In simple terms however, no-one seemed to give a stuff when countries – usually the southern ones – failed to meet their obligations. It is those years of tolerating recalcitrant fiscal behaviour – and outright lying about the numbers on the part of the Greeks – which has resulted in the crisis just seen.

In particular, the crisis has arisen because of worries that these bad behavioural patterns of some Euro-Zone governments would mean they only very slowly worked to get their accounts back into order following the blowouts caused by fighting the late-2008 Depression scenario (a worthy fight for sure) and then naturally weak tax receipts. The markets have forced governments into attacking their fiscal indiscipline and their fiscal accounts much sooner than those governments may have been planning. Hence part of the announcement early this week involved Spain and Portugal agreeing to extra fiscal tightening. Greece had earlier already signed up to massive and long overdue fiscal changes in order to get their bail-out package for the next three years.

So does the NZD now ease against a potentially recovering Euro? Probably not. The idea that the Euro was a new version of the deutschemark has been thrown out the window and that means a structural decline in its market price. The very survivability of the Euro remains in question in some quarters though its disappearance seems a very long shot.

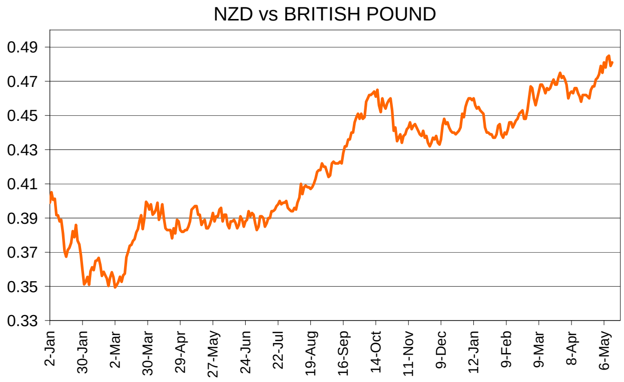
So we have ended this Thursday against the Euro near 56.6 centimes from 56.7 last week and the chances are we go higher over the next year.

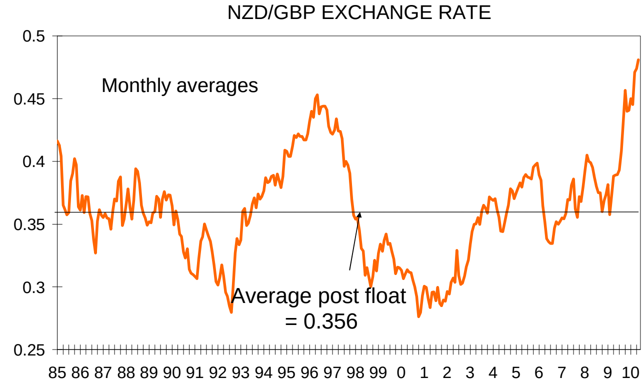




Then there is the British pound. The British have their own major fiscal problems to tackle and the task will be made more difficult one suspects by the new Government taking the form of a coalition rather than a single dominant party. The risk seems to be we climb higher against the pound as well – especially as one can't help but think that the timing for the Bank of England (and of course the (ECB) to tighten monetary policy has been pushed much further into the future. Whereas our tightening is highly likely to start on June 10 and with the recent good data out of the United States their tightening is highly likely to come ahead of the those for the BOE of ECB. That means an NZD holding well against a more favoured USD and therefore rising generally on the crosses.

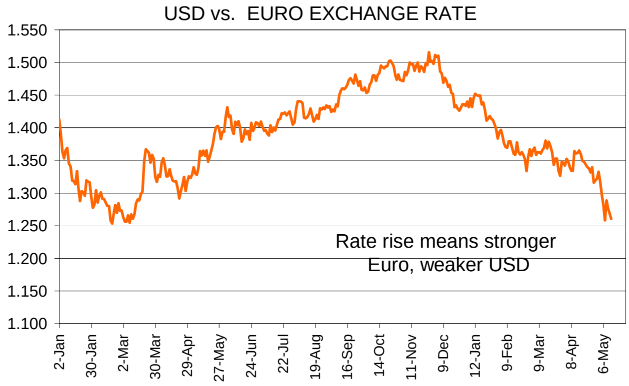
The NZD has ended against the pound near 48.2 pence which is unchanged from a week ago and still the highest level in over three decades.

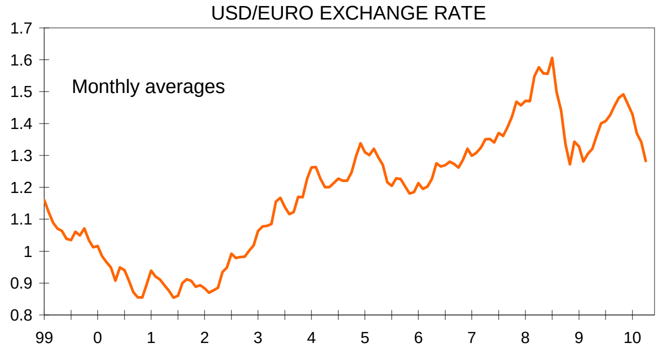




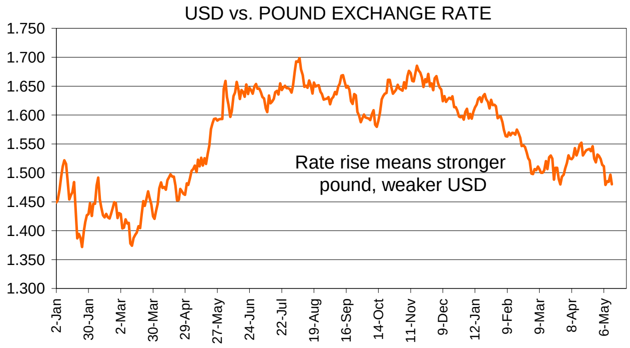
The big news for the week in the US – apart from watching aghast as the Europeans struggled with their own version of a Lehman's collapse - was the much stronger than expected 290,000 gain in US non-farm employment recorded for April, and the upward revision to 230,000 for the March increase. The result backs up the growing view that the US recovery is becoming self-sustaining and this is likely at some stage to lead to more than just risk-driven buying of USD versus GBP and EUR. By and large though the USD's movements against the other major currencies this week have been driven by fluctuations in risk associated with the waxing and waning of concern about the European situation.

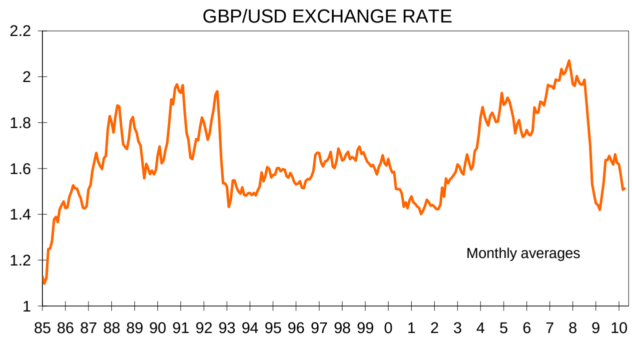
The greenback has ended against the Euro near $1.267 from $1.282 last week. That is, the Euro has weakened against the USD in spite of the huge bailout package established. This reflects doubts about whether the package will work, the feeling it is only buying time and the bad Euro-zone members will be as useless at fiscal management as ever, and the bastardisation of the ECB's independence so it now sings to the bailout tune of the European Commission – or whoever it is exactly that directs them to buy government bonds simply to keep their yields down and reduce pressure for speedy fiscal reform.



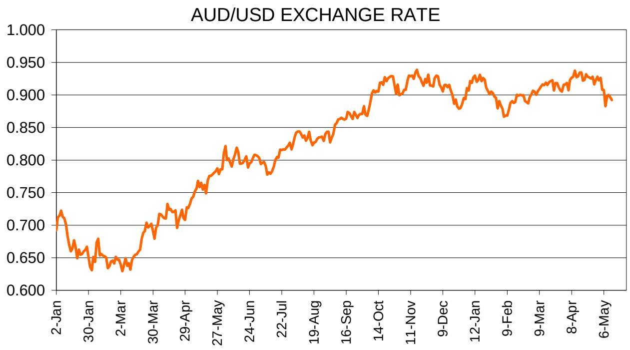


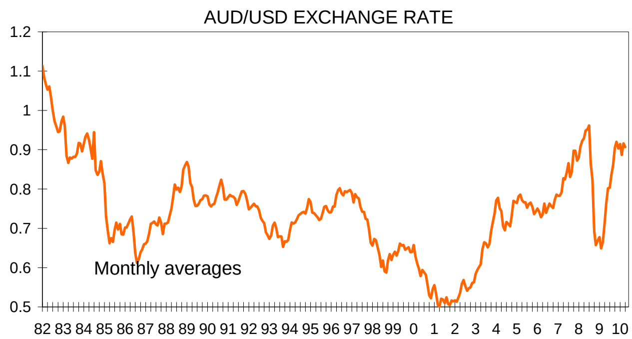
Against the British pound the greenback has ended stronger also near $1.488 to buy one pound from $1.51 last week. The weakness reflects concerns from the pound's association with the Euro plus the UK's own big fiscal problems.





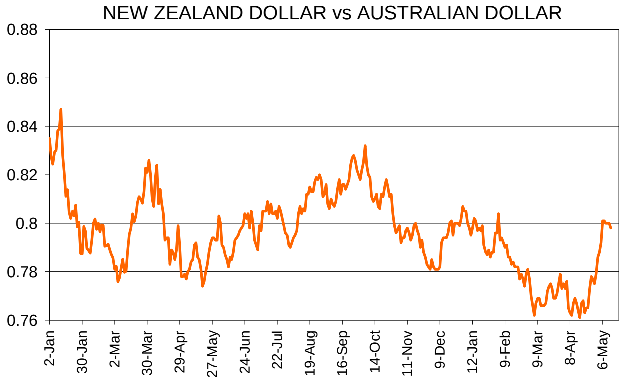
For the record, the Federal Budget in Australia this week had fairly much no impact on the AUD which like the Kiwi was lost in the backwash of events offshore – though with some extra weakness last week because of higher risk aversion plus discontent with the new 40% mining profits tax. The AUD has ended against the USD near 89.8 cents from 90.8 last week which is just off a three month low reached last week when the tax concerns were the strongest.

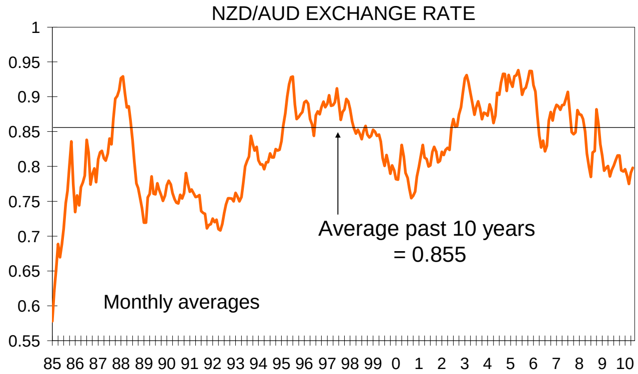




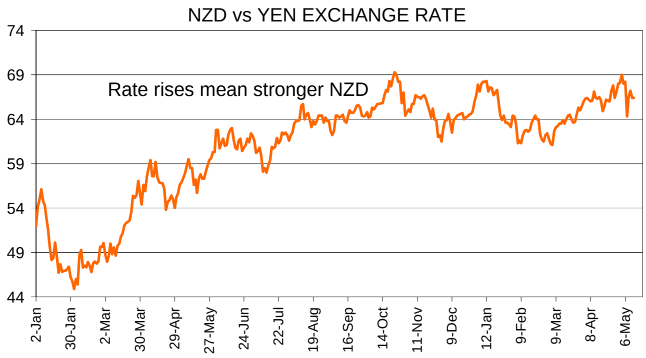
The Aussie dollar can be heavily influenced by what happens in China and in that regard growing concerns about rising inflationary pressures suggests some disturbance down the track as increasing tightening of monetary policy occurs and each move brings uncertainty about the Chinese growth impact.

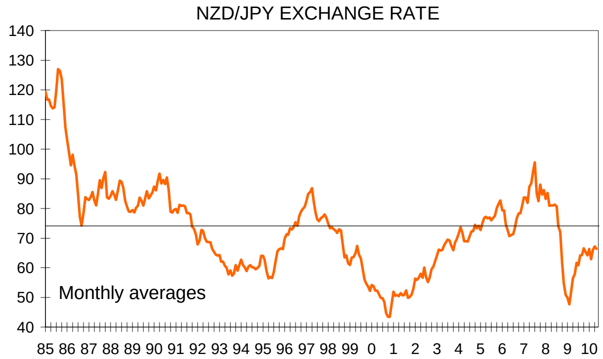
The NZD has ended against the AUD near where it was last week at 80 cents.





Against the Japanese Yen we have ended near 66.8 from 68.2 which is well within the trading range seen since August last year. Sorry about the absence of anything written here about Japan – one was on the road giving talks down south so time was tight.





Broadly where do we go from here?

- Major problems in the UK and Euro-zone so the risk is we rise against them.
- A NZ Budget next week likely to show fiscal accounts far better than those overseas with the time for achieving fiscal surplus brought forward even further. That sounds currency supportive.
- The RBNZ quite likely to start raising the cash rate on June 10.
- Strong and still rising commodity prices.

The NZD looks likely to go higher.

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%	6.0	7.1	......	5.1	3.9
Jobs growth	Average past 10 years = 1.9%	1.0	0.0	-0.1	0.7	-0.3
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	+20,973	21,253yr	......	7,482	4,675
Tourism – an. av grth	10 year average growth = 5.0%. Stats NZ	4.2	-0.0	4.2	-3.9	2.1
		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	43	39	31	-4	-4
Household debt	10 year average growth = 11.3%. RBNZ	2.8	2.7	2.7	2.8	10.9
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.

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*extrapolated back in time as Total Money started in 2007