BNZ Weekly Overview

6 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.

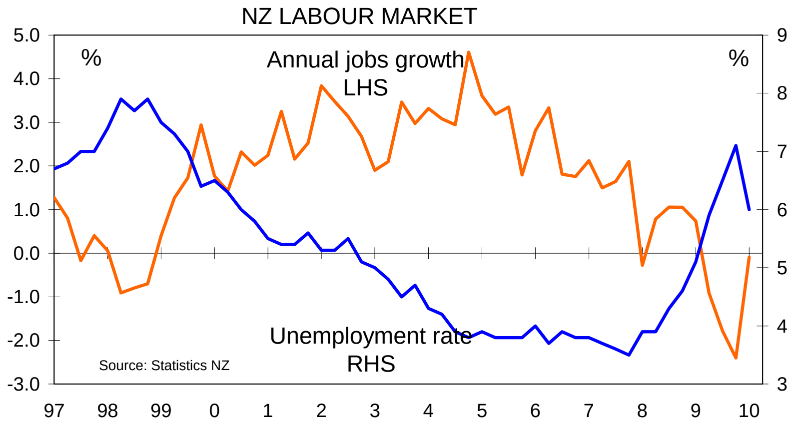
Some Good News

But first..
This month we are once again running our monthly confidence survey. If you have not already done so from the email used to send out the Weekly Overview please click on the URL below and let us now whether you feel the NZ economy ill get better or worse over the coming year. More importantly let us know what is happening in your industry at the moment specifying what that industry is. The results will be released early next week.

http://survey.usuite.com/survey/7f801dd05f3742619b046cc119c15106.sur

For some months now we have been reporting anecdotes from those in the recruitment sector that employers have been out again looking for people. And we have highlighted our expectation that labour shortages risk re-emerging far earlier than many people anticipate. This morning the quarterly Household Labour Force Survey data were released and they show a labour market in far better shape than anyone thought.

Job numbers rose 1.0% during the quarter – 22,000 people, rather than firming just 0.2% as had been the common expectation. The unemployment rate dropped sharply back to 6% from 7.1% though this is still up from 5.1% a year ago.



Why the sharp improvement? Probably a combination of things.

1. Businesses are seeing their output rise but are reluctant to borrow money and invest in new machinery. We have discussed this and noted it means potential for greater jobs growth early in this recovery cycle than many have been thinking. We seem to have been on the right track with those thoughts.

2. Businesses laid off a lot of people in a very short period of time last year and there is a risk they laid off too many. So there is probably an element of catch-up hiring in the March quarter numbers. But in that regard they could be like the unsustainably strong retailing and housing numbers we saw last year. The growth will continue but not at the same pace is what this would imply.

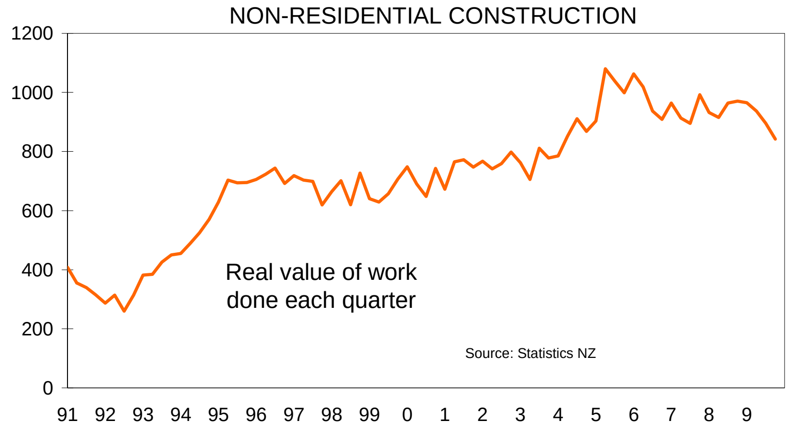
3. There is always volatility in these numbers are this volatility could simply have produced a positive statistical error movement this quarter compared with a negative one for the December quarter.

Will the jobs growth be sustained? Not at 1% a quarter. But the headline result will get the attention of employers who we think are aware the market will tighten up again. So continued jobs growth is highly likely. Add that to the outflow of skilled people to Australia and labour shortages could be back in many sectors come late-2011.

What are the main implications? The good numbers imply extra support is likely in the near future for retailing and the housing market as people realise others are getting jobs so maybe they will as well, maybe they will get a decent pay rise, and maybe it is a “safer” environment to borrow some money. In that regard the implications for monetary policy are quite clear. The Reserve Bank is now quite likely to start taking away the stimulatory 2.5% cash rate come June 10. In addition the result means some extra upward pressure on the NZD making our forecast of US 75 cents before the end of the year a relatively easy call now – with a higher rate quite likely.

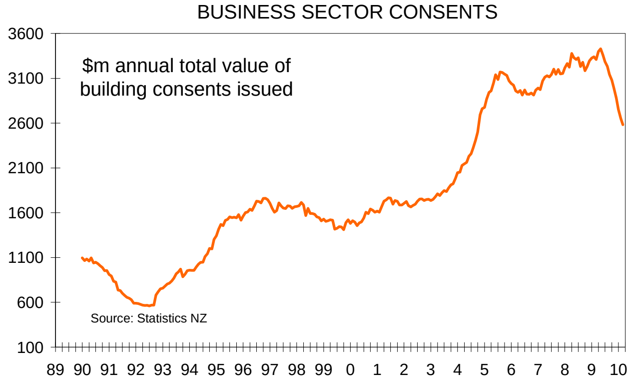
Businesses Hiring But Reluctant To Build

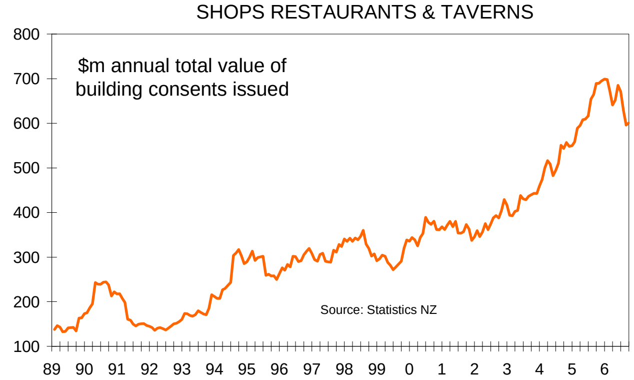
In March the value of consents issued for the construction of non-residential buildings stood at $345m. This was a small gain from $332m in March last year but over the year to March values were down 5.1% while in the March quarter all up they were 17.7% below levels of a year ago. This sector of the economy, which usually accounts for about 3% of all economic activity (house construction is usually above 5%), never boomed ahead of the global financial crisis and our own recession so the pullback in activity has not been as spectacular as seen after the 1987 crash for instance.

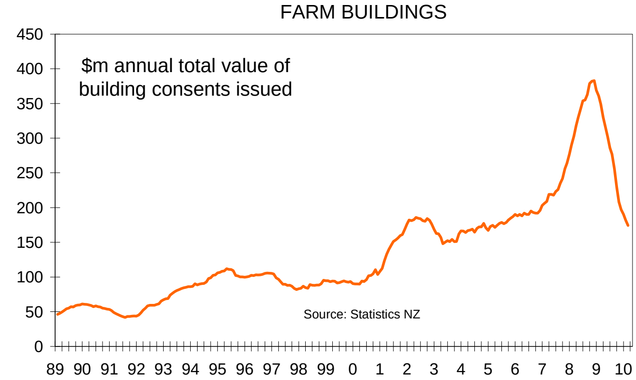


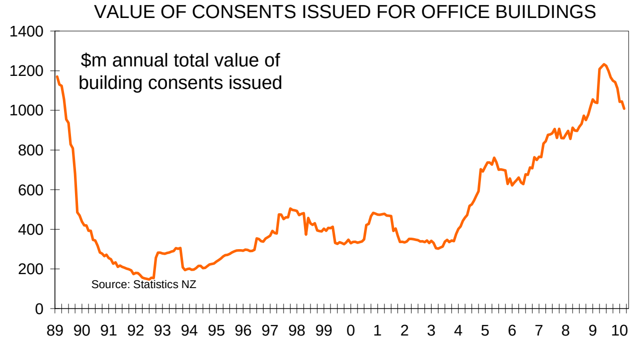
Nevertheless, activity levels have been easing off encouraged downward by businesses pulling back on their accommodation requirements and projects started some time back being completed and entering an already loose market with falling rentals.

The easing in activity is actually best seen if we strip out things like schools and other government works and focus on a “business” subgroup. Doing this we find that in the year to March business consent values fell by 22% and were off 36% in the March quarter compared with a year ago. This gels well with our own experience of businesses not wanting to arrange finance for construction – and those wanting to finding the finance companies who could usually be relied upon for a few million are out of the market.





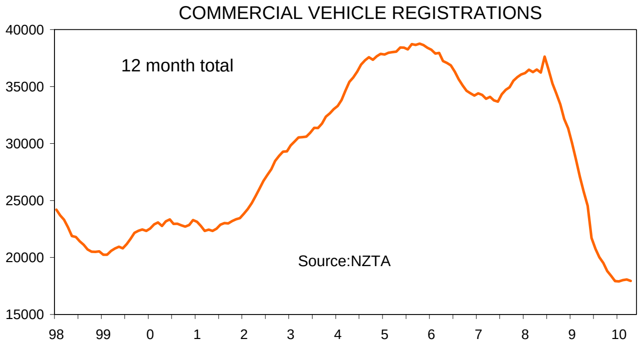


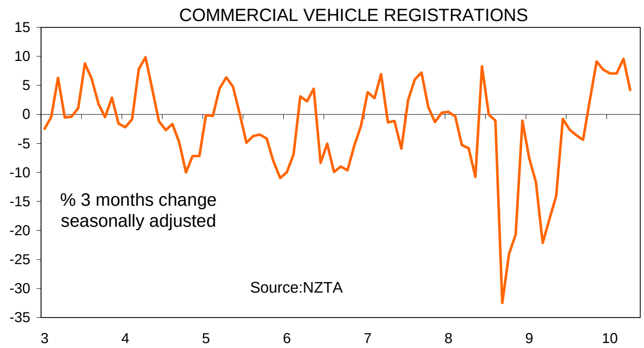


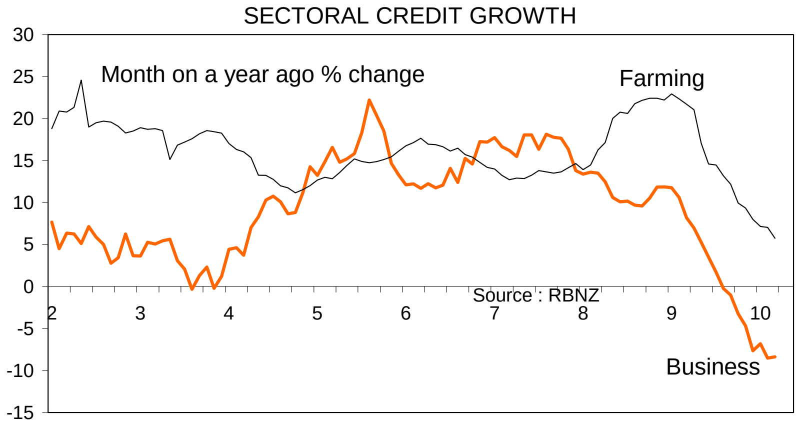
Non-residential construction is likely to be a weak performing sector in the economy until some point in 2011.

With regard to the lack of finance noted above, deleveraging – whether willing or not – is continuing at pace in the business sector. Business (non-farming) debt in March was down by 8.4% from a year ago at $73.4bn. The peak in this series was $81bn in December 2008. And whereas in each of the previous ten years business debt grew between February and March, this year it fell by $437mn. Businesses are paying down debt, cutting back on non-residential building, still pulling back on investment in plant, machinery & equipment, while at the same time saying they have high confidence about the economy and their businesses.

Businesses are also still being very cautious when it comes to buying vehicles with registrations of commercial vehicles in April down 8.5% from a year ago at 1,281 units. In the year to April this measure fell by 30% and although there has been a small seasonally adjusted increase in the past three months of 4% it is just that – small.

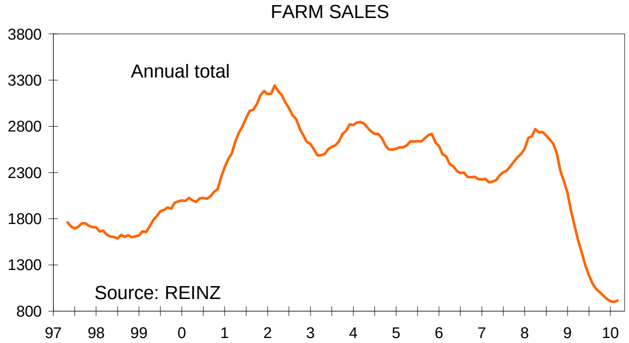


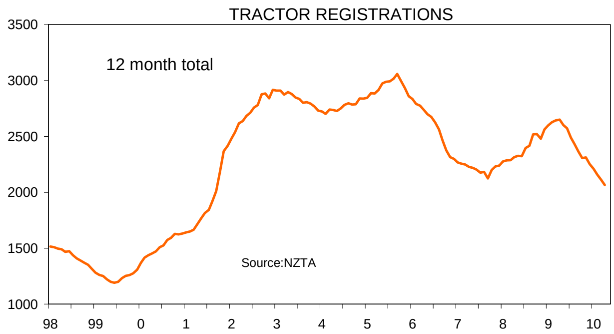


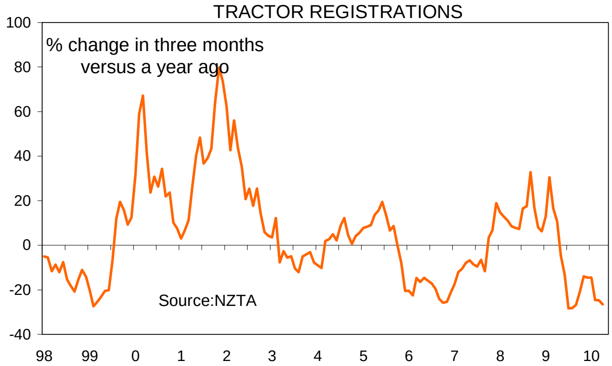


At some stage high debt aversion will end and when that happens not only will we see an extra contribution to growth in the economy, we will possibly also see some extra upward pressure on long term interest rates as banks look to fund higher business lending with more long term funding than in previous years. Plus, by the time businesses start borrowing more the Reserve Bank will be well into its tightening cycle and one suspects worries about floating rate funding will boost demand for fixed rate financing.

The graph above shows the annual rate of growth in lending to the farming sector continuing to decline to reach 5.7% in March from 7% in February and 21.7% a year ago. Farmers reacted extremely slowly to the global financial crisis and only really started pulling their horns in during the June quarter of 2009 after the economy had already exited recession. Hence perhaps some of the talk along the lines of debt concerns being greater for the farming sector than most other parts of the economy. And hence perhaps why many indicators for the farming sector are now relatively depressed. EG. Farm sales are around a quarter of what they were two years ago and tractor registrations in the April quarter were down 27% from a year ago.



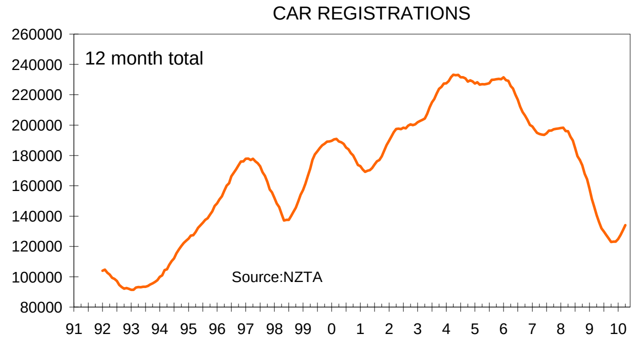


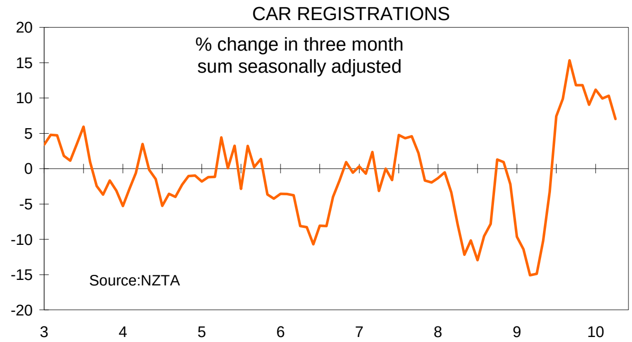


In fact tractor registrations have just got worse with a seasonally adjusted change in regos during the three months to April of -9.5% from a rise of 6.7% three months earlier. Drought, debt and exchange rate concerns dominate high foreign prices.

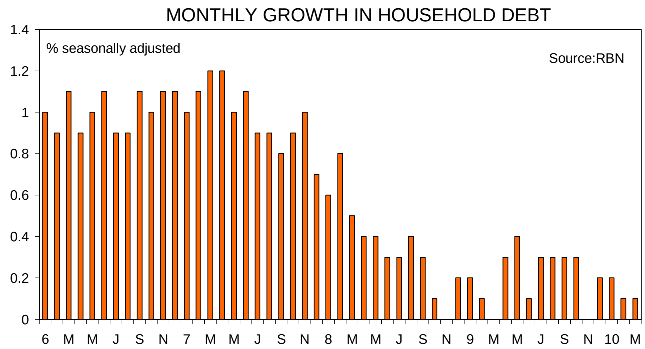
In the household sector people remain very unwilling to borrow. Household debt in March grew only a seasonally adjusted 0.1% and this measure has been moving between 0.1% and 0.3% (usually 0.2%) since the middle of last year. Annual household debt growth stands at only 2.8% with housing debt ahead 3.3% from a year ago and non-housing debt (credit cards, personal loans) etc.) down 4%.

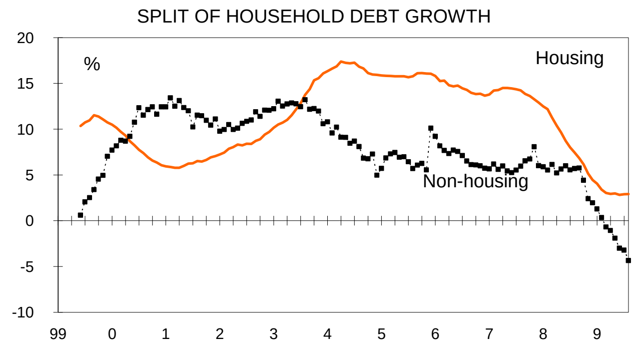
It is hard to find evidence of households spending more anywhere, but if one digs deeply enough one finds that car registrations were ahead a seasonally adjusted 7% in the three months to April from the three months to January. The trouble with this measure however is that it captures what businesses are doing with their leased fleets and it has been put to us that some businesses which lengthened the terms of their leases a while ago are now in a catch-up phase which is giving a temporary upward bias to this number.





A key characteristic of this period of recovery in the economy is continuing deleveraging of household, business and one day farm balance sheets. There is no way of reliably knowing when these processes end and how debt tolerant people will be going forward. Therefore it is very difficult to forecast not just growth in the economy over the next few years but the extent of upward pressure on interest rates as well. The upshot of that is people need to be quite wary of forecasts for things to be at certain levels at certain times based on what "usually" happens during economic recovery. This is not a "usual" recovery. Ask the Greeks, Portuguese, Spanish, Irish, Icelanders, and so on. Heck, it isn't even normal for the Australians but that is on the positive side rather than the negative side. We muddle along not as good as them but in hugely better shape than those other economies – thanks to the efforts made to amend our bad ways in the 1980s and early 1990s before policy mediocrity set in.

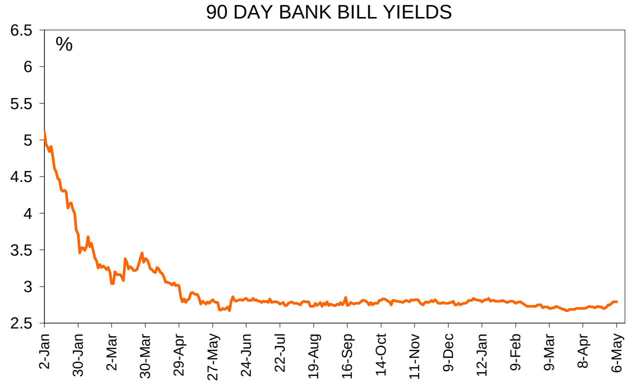


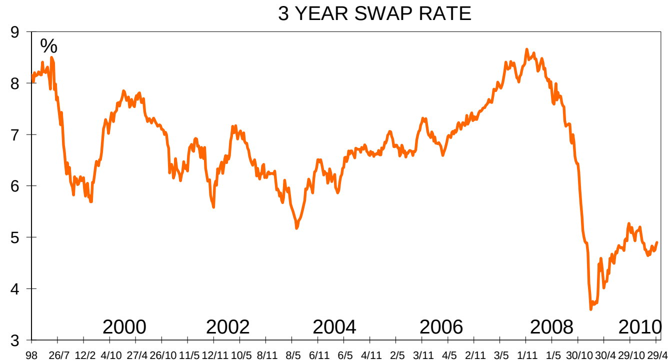


INTEREST RATES

This morning's labour market numbers contained a surprise great enough to alter market pricing for when the Reserve Bank start raising the official cash rate from 2.5%. The strong consensus is now June 10 rather than late-July. As a result wholesale interest rates have risen across the curve.

The yield on 90-day bank bills has ended this afternoon near 2.80% from 2.75% last week and 2.72% a fortnight ago. The three year swap rate has ended near 5.04% from 4.84% last week and 4.75% two weeks ago. Swap rates are roughly at their highest levels since January and likely to go higher, but still currently reasonably well below levels seen late last year when euphoria about the NZ and global recovery was relatively strong.





Key Forecasts

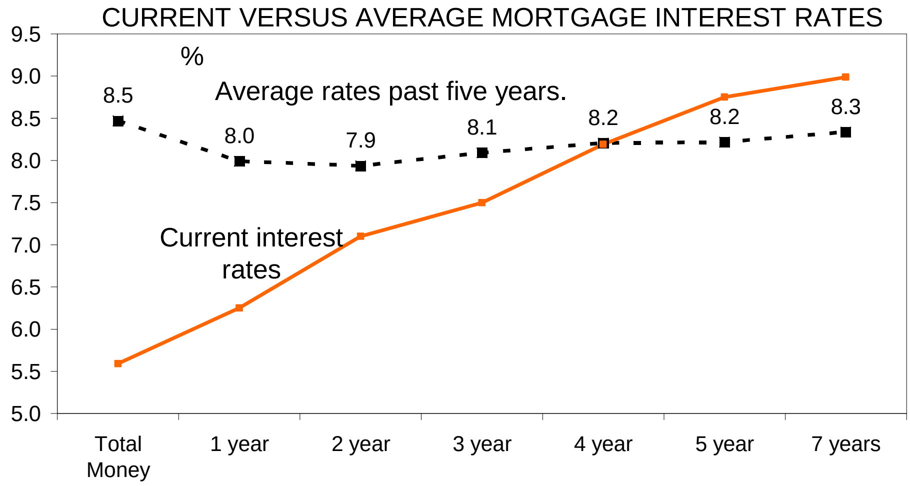
- Tightening mid-2010.
- Medium to long term housing rates to rise again in a few months.

FINANCIAL MARKETS DATA

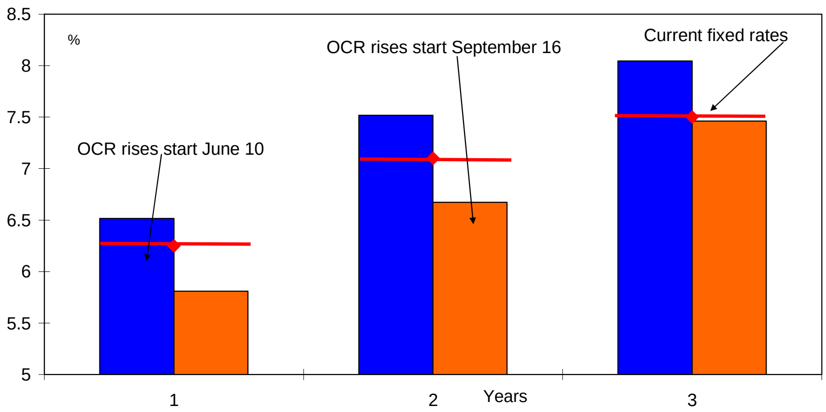
	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	2.50%	2.50	2.50	2.50	3.00	6.2
90-day bank bill	2.80%	2.75	2.69	2.80	3.01	6.5
1 year swap	3.79%	3.60	3.54	3.46	2.98	6.7
5 year swap	5.44%	5.37	5.35	5.39	4.83	7.0
180-day term depo	4.80%	4.70	4.70	4.88	3.15	6.0
Five year term depo	6.75%	6.75	6.75	6.75	6.00	6.5

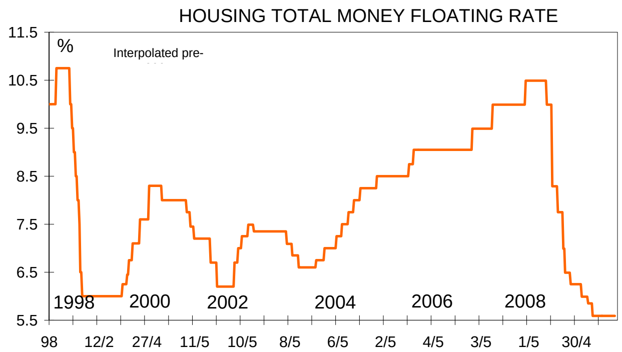
If I Were a Borrower What Would I Do?

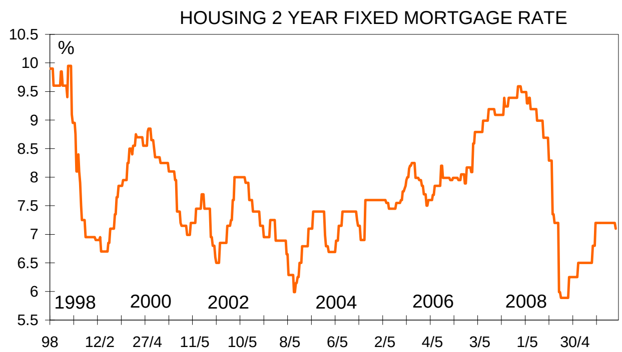
Wholesale borrowing costs have risen this week but margins for banks don't look as slim as they were the last time a round of fixed rate increases occurred so I am not yet expecting those fixed rates to be pushed upward. Plus one can't help but think that the surge in concern about the European economies and resulting weakness in sharemarkets around the world could lessen the extent of upward pressure on longer term interest rates for a tad. So I remain happy to sit with my mortgage floating and do not yet feel the time is right to opportunistically hop into a 1-3 year rate to do better than where the floating rate will average over those periods of time – if our forecasts prove correct. They will change of course because after all, every week we learn something we did not know before.

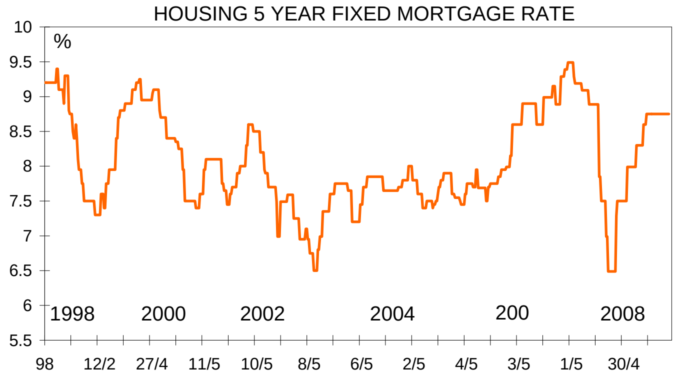


The columns show where we think floating mortgage rates will average over one, two, and three year periods (using the BNZ Total Money product which currently has a rate of 5.59%). The blue columns assume the RBNZ starts tightening in June. The orange columns assume July. The little red lines show current fixed rates.





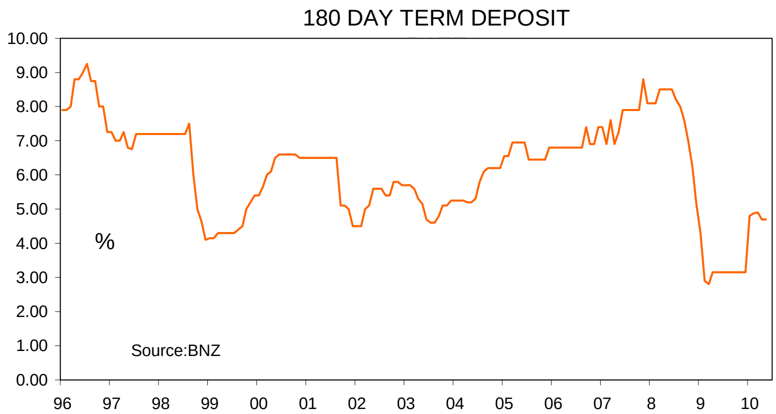




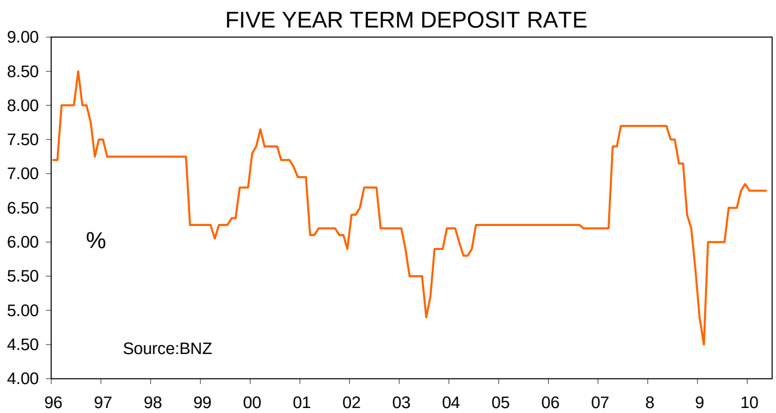
If I Were a Term Deposit Investor What Would I Do?

I would still invest short waiting for the medium to long term deposit rates to move to higher levels. The difficult bit of course is going to be picking when to jump out of rising short term rates into a higher long term rate. We are probably a long time away from those longer rates peaking and as we have been pointing out in the interest rate section just above it is impossible to reasonably pick when fixed mortgage rates next reach their cyclical highs or lows and that means we can't pick the timing for long term deposit rates either.

This first graph shows where the 180 day term deposit has moved since 1996.



There is plenty of upside left. This next graph shows the five year rate. By historic terms there is less upside left than for short rates. But the world has changed and banks now need to raise more long term money and more domestic deposits than in the past. In addition at the moment few people are borrowing at fixed rates, but when they do more – most notably probably from the business sector once capital spending picks up, then we expect this long rate will rise.

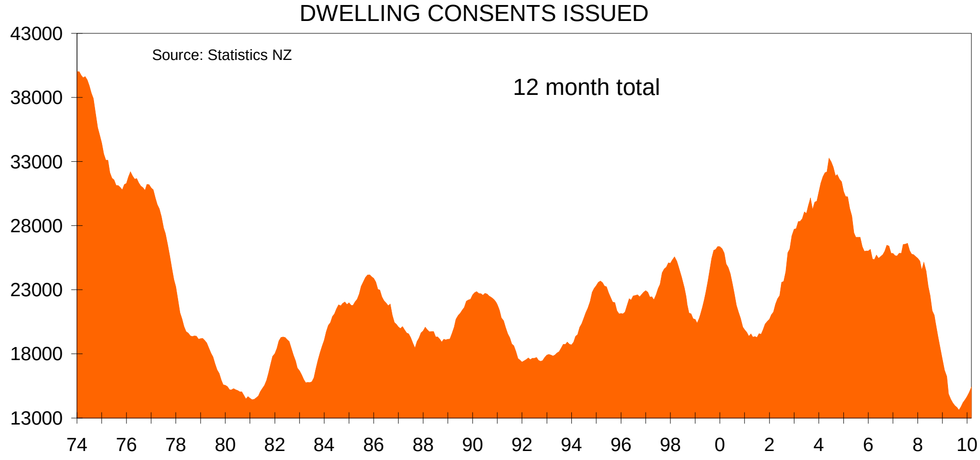


So sitting in a short term gives one the opportunity to hop into a much better long term rate down the track than the 6.75% on offer at the moment, and as monetary policy tightens the short rate will improve anyway.

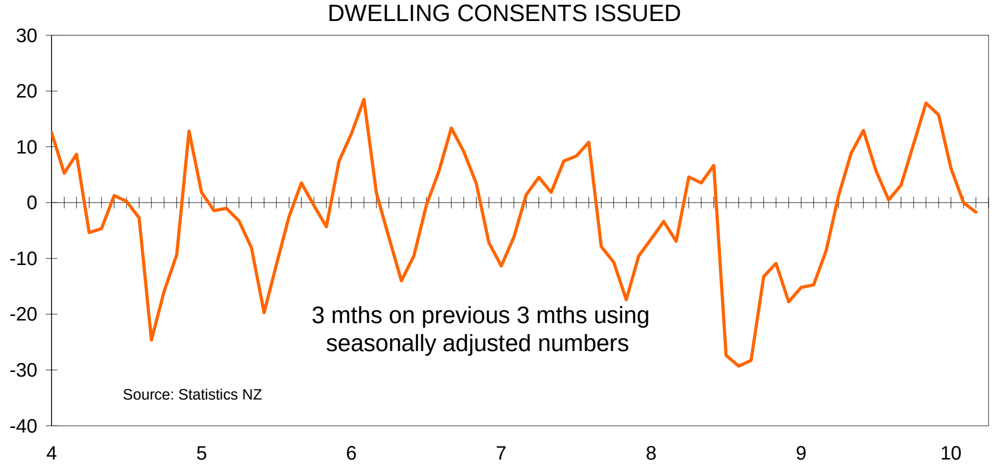
HOUSING MARKET UPDATE

Holding Pattern As Budget Awaited

Housing supply is showing no sign of making a strong response to the small shortage situation we believe exists – though things are better than they were a few months ago. Back in September last year the 12 month total number of dwelling consents issued (apartments and houses) stood at a four decade low of 13,616. The average number of consents issued for the past decade had been 24,800 per annum. Now, in the year to March, numbers are a tad higher at 15,381.



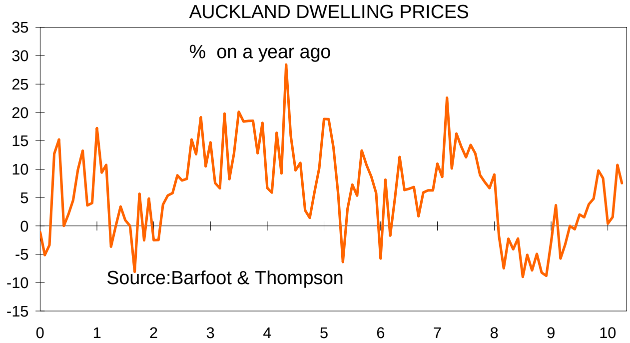
However, in the March quarter the seasonally adjusted number of consents issued fell 1.7% after rising 16% in the December quarter and 3% in the September quarter. In March itself numbers fell 0.4%. It appears that uncertainty regarding tax changes and how people react to them is not only disturbing turnover and to some extent prices, but as we have long noted this factor is also weakening willingness to build.

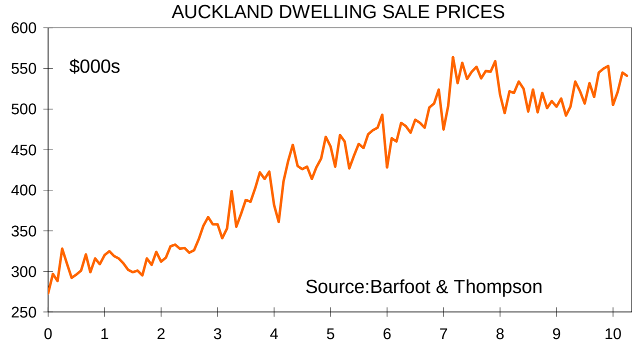


Investors expect reduced returns from residential property holdings and this manifests itself in reduced buying of existing dwellings, extra selling from portfolios, and reduced construction of new premises. We will know the details of tax changes on May 20, but it will still take a long time to figure out how investors react to those changes therefore although we expect dwelling construction to grow firmly over the next couple of years, the initial uptick looks like being constrained by the uncertainty. That means the small shortage we think exists will get worse – and the chances of correcting it diminish also because by the time the dust settles and investors look at building we will have lost potentially quite a few skilled tradespeople across the ditch.

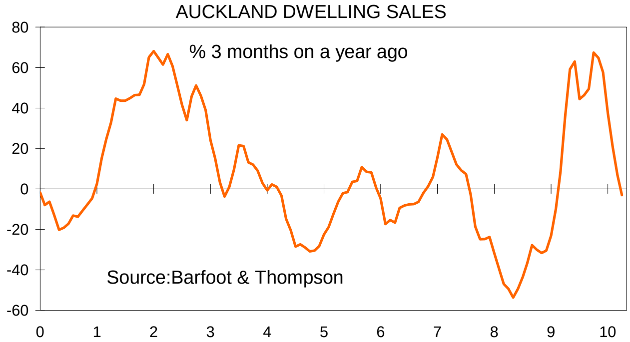
Barfoot & Thompson Auckland Data

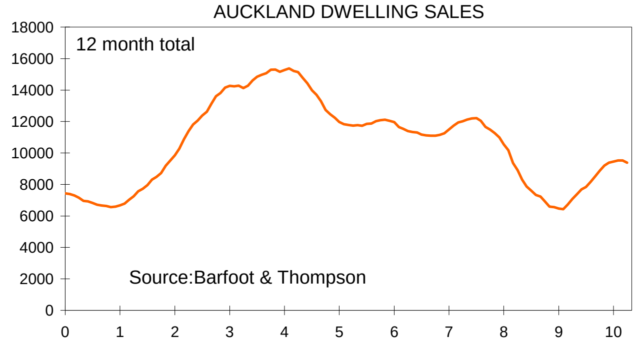
Yesterday B&T released their monthly data and they show a market going through its normal Autumn phase with no obvious large shifts in prices, turnover, or stocks. The average dwelling sale price in April was $541,000 which was little changed from $545,000 in March. In the three months to April the average was ahead 6.6% from a year ago but down 0.1% from the three months to January. As with other measures this series shows prices have flattened out for now.



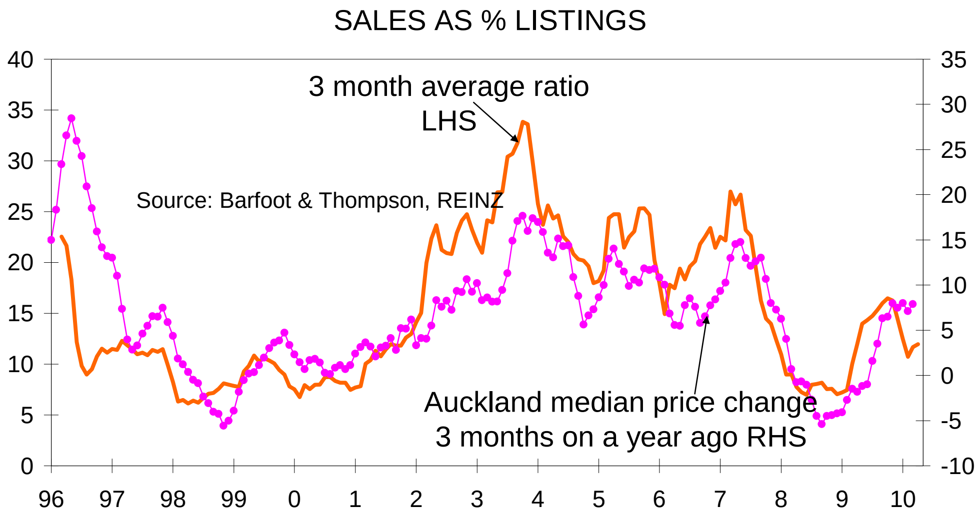


In April Barfoot and Thompson sold 671 dwellings. In seasonally adjusted terms this represented no change from March and other the three months to April seasonally adjusted sales were ahead about 2% from the three months to January. Again these numbers shows things being flat.

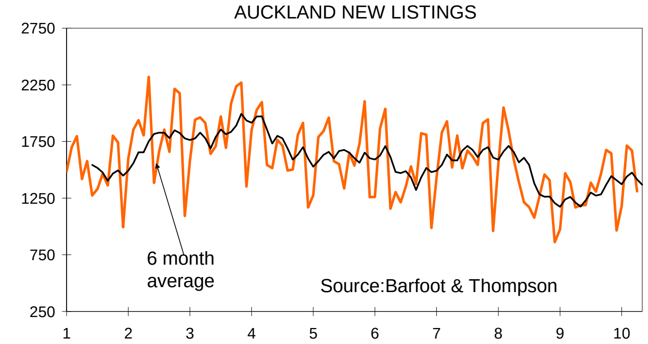


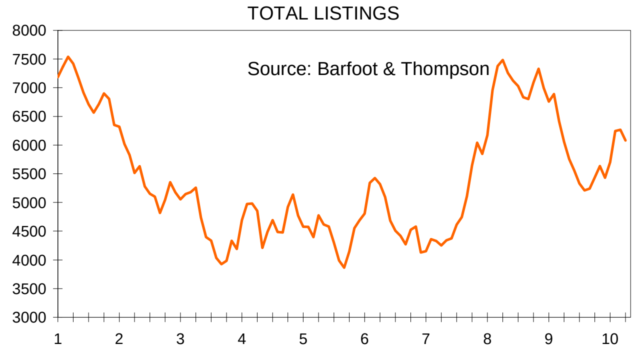


The total number of listings held by B&T at the end of April stood at 6,079. This was a 0.3% rise from a year ago and over the past three months the ratio of sales to listings has been 11%. This is quite low by historical standards and as the graph below shows the recent easing in this ratio (the orange line) implies easing annual house price inflation – which is what the numbers will show shortly given the way house prices have flattened out in recent months.



There were 1,312 new listings received during the month which was an increase from a year ago of 12.2% but not all that high looked at over the longer term.





All up the data – like other housing series – show a market largely in a holding pattern seemingly waiting for something to happen. The Budget one obviously assumes.

This morning's much stronger than expected labour market numbers reinforce our expectation that the housing market will get through the tax change period relatively well and reveal rising prices again through 2011-12.

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.

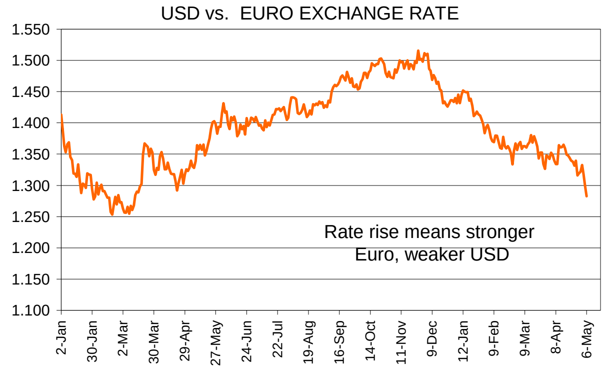
Exchange Rates & Foreign Economies

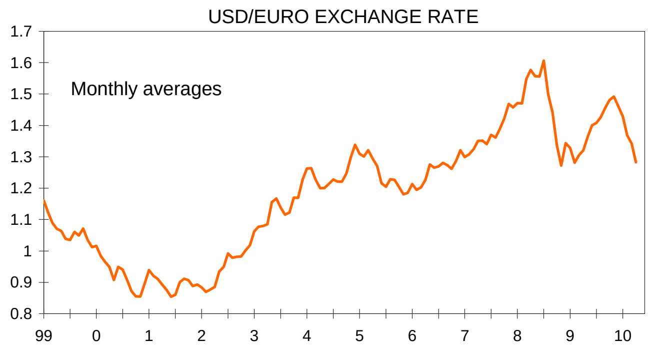
Exchange Rates	This Week	Week Ago	4 wks ago	3 mths ago	Yr ago	Consensus Frcsts yr ago*	10 yr average
NZD/USD	0.727	0.715	0.704	0.688	0.58	0.535	0.592
NZD/AUD	0.801	0.775	0.776	0.792	0.78	0.778	0.856
NZD/JPY	68.20	67.10	66.40	61.60	57.4	53.5	66.8
NZD/GBP	0.481	0.471	0.460	0.440	0.385	0.357	0.345
NZD/EUR	0.567	0.542	0.522	0.502	0.436	0.404	0.51
USD/JPY	93.81	93.85	94.32	89.54	98.966	100.0	113.9
USD/GBP	1.511	1.518	1.530	1.564	1.506	1.50	1.709
USD/EUR	1.282	1.319	1.349	1.371	1.330	1.324	1.156
AUD/USD	0.908	0.923	0.907	0.869	0.744	0.688	0.69

High Volatility Offshore – NZD Heading Higher

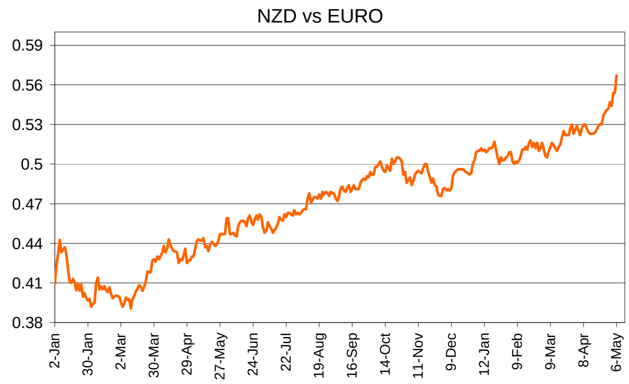
Where does one start? Currencies are being pushed around tremendously by the amazing near daily switches in sentiment regarding the public debt situation in Europe – but the important point to note is that the trend in regard to this matter is still bad. That is, the end game still probably has not started and now with rioting in Greece producing three deaths, rumours of new credit rating downgrades for Spain, once again soaring premiums being demanded by buyers of Greek debt high volatility is likely to continue with extra Euro and Pound weakness.

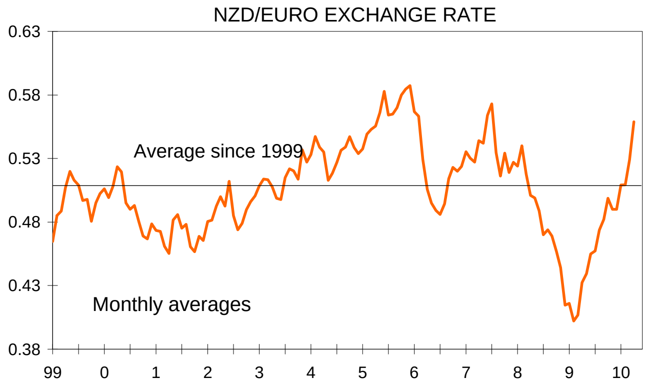
That has been the story for this week with the Euro being battered to over a one year low against the greenback near $1.283 from $1.32 last week and $1.37 three months ago.





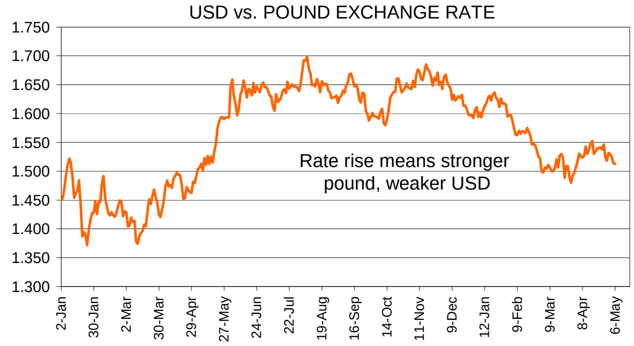
Because of this weakness in the Euro the NZD has jumped to 0.567 centimes from 0.542 last week and 0.502 three months ago. This is the highest rate in three years and the gain was strongly assisted this morning by the far better than expected employment numbers boosting expectations of monetary policy tightening very very soon.

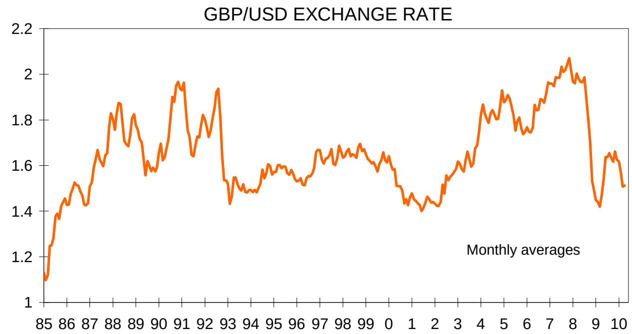




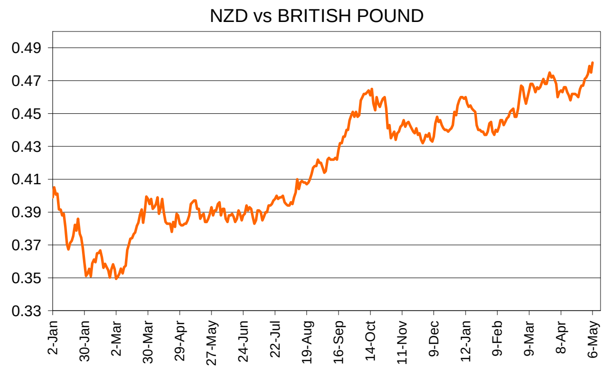
Do we go higher? Probably given the clear risk that things get worse in Europe as debate grows about the survivability of the Euro, depth of the Germans' pockets etc.

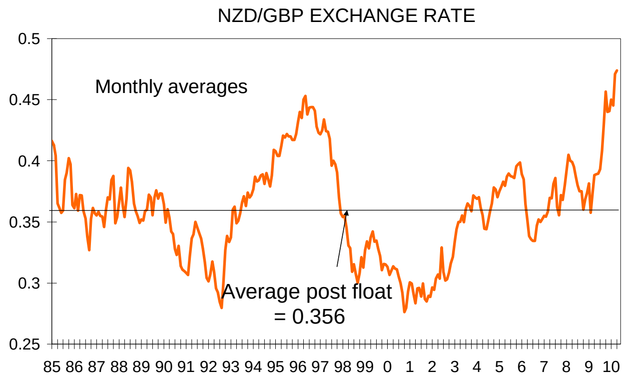
Then there is the UK. A general election is due and a hung Parliament is possible – how about that for adding to downward pressure at an already messy time? The UK budget deficit is about as big as Greece's and the chances of it being severely reduced given the possible parliamentary situation look grave. The pound has ended against the greenback this afternoon near $1.513 to buy one pound from $1.518 last week and $1.564 three months ago. The pound has not weakened as much against the greenback as the Euro because of the extra worries for the Euro-zone area.





The NZD has risen against the pound to near 48.1 pence from 47.1 last week and 44 pence three months ago. The NZD is now at a 31 year high against the pound. Sounds like a good time to catch a plane there, look around and say "Hey, this economic and fiscal mess, isn't it what we Kiwis got rid of a couple of decades ago?" Thanks Roger, Bill, Ruth – and heck even Michael for his fiscal rigidity.

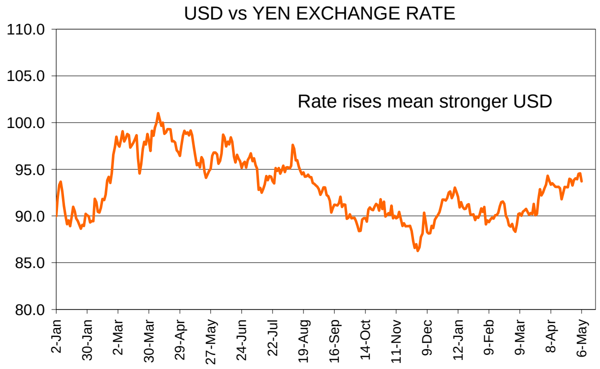


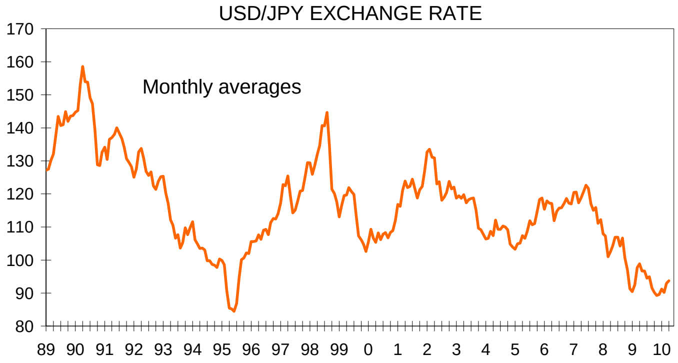


The greenback has been the main beneficiary of the weakness afflicting the pound and euro partly because generally positive US economic data have been released recently and because the fiscal situation – while shocking – is not as immediately pressing as for the others. Plus recent events just highlight a point we have made many times in the past few years. Just exactly what currency is it that people think will replace the USD as the international medium of exchange and store of value?

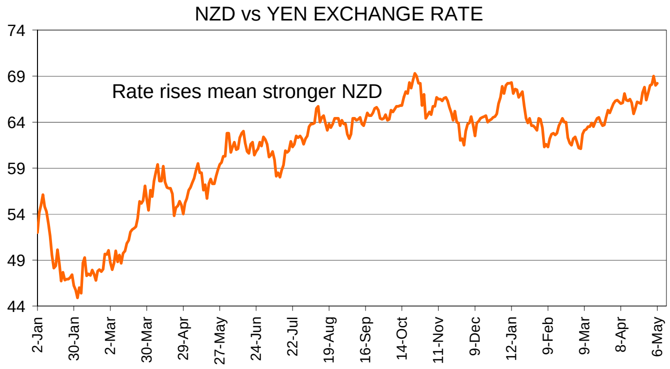
There is growing evidence that the recovery in the US economy is becoming self-sustaining. Better than expected data were released in the US during the week on the manufacturing sector (PMI and factory orders). household incomes, labour market, and pending sales of existing homes. In addition some corporate mergers and acquisitions activity contributed to a positive feeling which lifted the sharemarket for a while before the Greece effect slammed all and sundry.

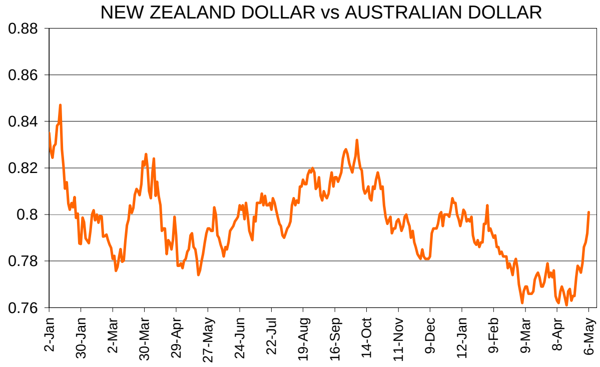
The Japanese Yen has kept level with the firming greenback over the week assisted by sheer distance from Europe one suspects more than positive feelings about the Japanese economy or the Japanese public debt situation which in some ways is even worse than the small European economies. The Japanese ratio of public debt to GDP is near 200% versus 115% for Greece.





The NZD dollar has ended up against the Yen near 68.2 from 67.2. But mid-week we traded above 69 Yen for a while when worries about Greece were low. In addition, at the same time the NZD was being pushed up by further reporting of strong NZ export commodity prices.





Against the Aussie dollar the NZD has gained over the week to end near 80 cents from 77.5. This rise reflects the Aussie dollar's decline against the greenback to US 90.6 cents from 92.3. This decline has occurred in spite of the RBA raising the cash rate for the sixth time in seven months – to 4.5% from 4% last week and the low of 3% seen last year. The Australian economy is being well underpinned by the continuing lagged effects of the government's stimulus programme, rapidly rising house prices, a very strong labour market, plus booming infrastructure and minerals sectors.

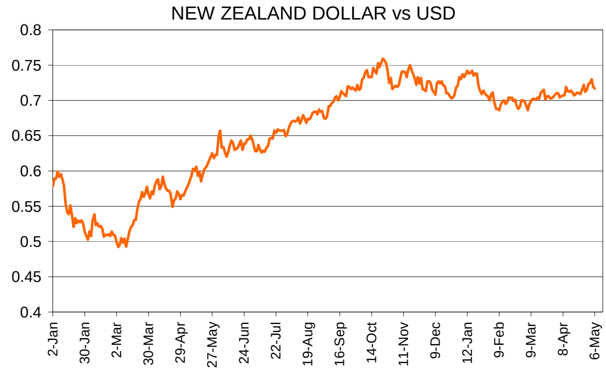
Australia has now, in the opinion of the RBA Governor, got interest rates back to "neutral" levels. That is, with a cash rate at 4.5% rates being charged to borrowers are at levels that neither stimulate nor retard growth in the economy. In the past this neutral level was at 6% or just below and the difference reflects higher underlying costs of funding for banks courtesy of RBA rule changes and the effects of the global financial crisis on willingness of investors to lend to banks. In addition lending standards are tighter than in the past and that means a firmer monetary policy for any given level of the official cash rate.

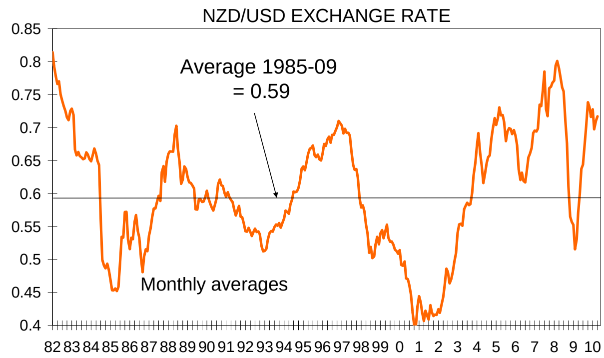
The same situation exists in New Zealand and whereas the neutral rate in the past here was 6% - 6.5% most of us now reckon it is about 4.5% - 5.0%. For you borrowers this is all completely irrelevant because it is what you pay to borrow funds that matters to you and as just noted the neutral level for those interest rates will be only slightly lower than in the past.

Our expectation is that Australia's cash rate will probably be raised to 5.25% by the end of the year as the RBA shifts from taking away stimulatory monetary conditions to outright imposition of restrictive interest rates. They need to slow growth in demand in the economy in order to offset the inflationary effects of shortages which are starting to develop in many parts of the labour market.

So why did the AUD fall against the USD this week? Mainly it seems some profit-taking, general movement toward the USD in uncertain times, and worries about the impact of tighter Chinese monetary policy. In China there are concerns about growth being too strong and inflation popping upward. To combat that risk the Chinese authorities undertook their third increase in bank reserve requirements over the weekend.

Finally then, how has the NZD gone against the greenback? We have ended one cent up from a week ago near 72.7 cents though traded above 73 cents briefly when worries about Greece were low for a few hours.





The risk is that as the Greek situation continues to play out more and more eyes will turn toward the vastly better fiscal situation in this part of the world plus the insulation to the NZ economy against European weakness afforded by our links with Asia directly and via the fast growing Australian economy. The fundamentals therefore remain quite strongly in favour of NZD gains as the year goes by – especially once the RBNZ starts raising interest rates. Can one seriously imagine either the Bank of England, Bank of Japan, or European Central Bank feeling the environment is safe enough to raise their interest rates in the near future?

Given these developments plus the strong employment data in NZ we remain of the view that further NZD appreciation lies ahead assisted by firm commodity prices and tightening monetary policy at a time when tightening elsewhere will be minimal.

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.

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