

BNZ Weekly Overview

31 March 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.

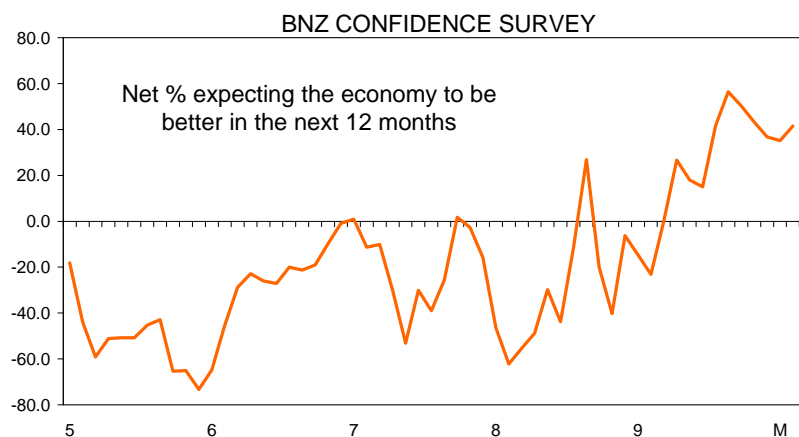
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The Weekly Overview is written by Tony Alexander. The views expressed are my own and do not purport to represent the views of the BNZ. To receive the Weekly Overview each Thursday night email me at tony.alexander@bnz.co.nz with 'Subscribe' in the Subject line.

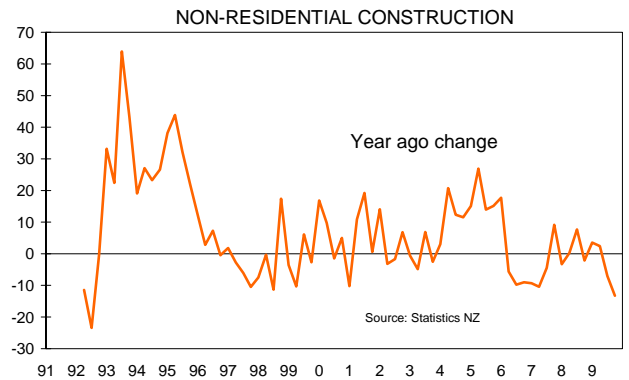
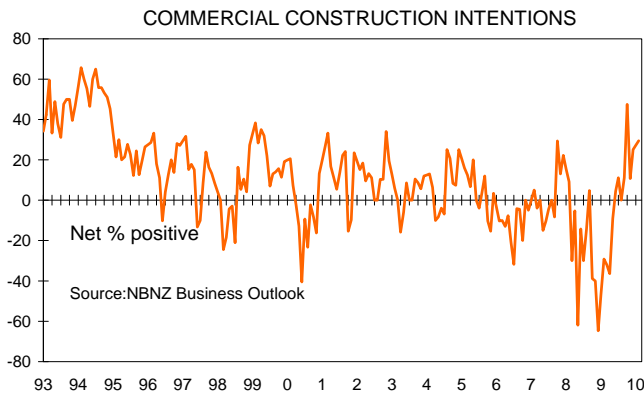
Businesses Deleveraging

First, this week's Overview is being sent a day early because of Easter. Second, there will be no Overview on April 8 as I shall be on leave. Third, many thanks to those who contributed to our monthly survey – run a week early. The results show that although confidence remains high at a net 42% positive, conditions remain very patchy and there is a noticeable dying off of activity in residential real estate as people wait for clarification of tax changes. A few more employers appear to be out looking for staff – which is wise because we see strong scope for skilled labour shortages to return across many sectors next year not just because of growth hitting 3% but because of an outflow of skilled people to the strong Australian economy.

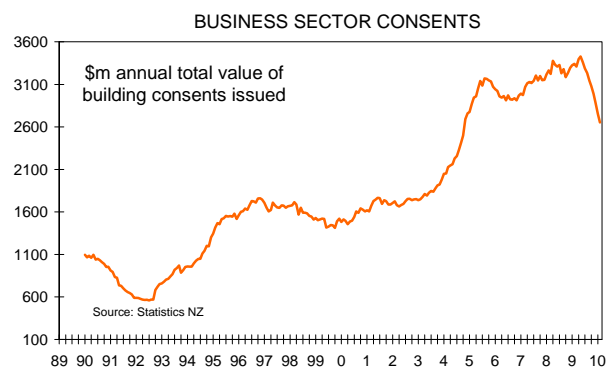
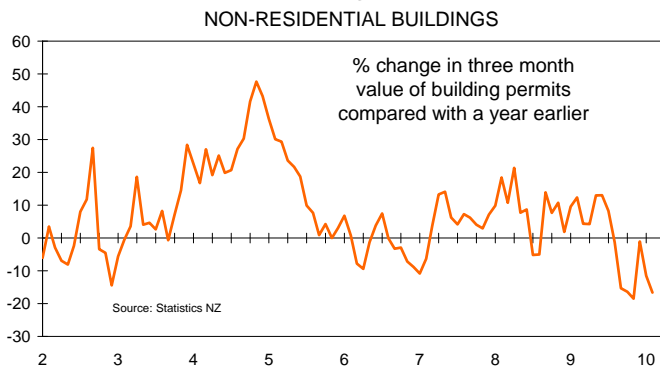


Speaking of outflows – that is what is happening with debt in the business sector. At the end of February business sector debt (excluding farming) was down 8% from a year ago and at the lowest level since March 2008. Anecdotes indicate businesses remain strongly focussed on improving balance sheets and cash flows and this structural adjustment in debt/risk tolerance is outweighing high investment intentions to produce still weakening expenditure on buildings and plant, machinery and equipment.

In fact, as discussed in the Housing section below there is an improvement underway in residential construction already evident in the 7.5% rise in house building during the December quarter. But when it comes to non-residential construction there is deepening weakness. In calendar year 2009 non-residential building fell 3.8% in volume terms but was 13.3% down in the December quarter compared with a year earlier.



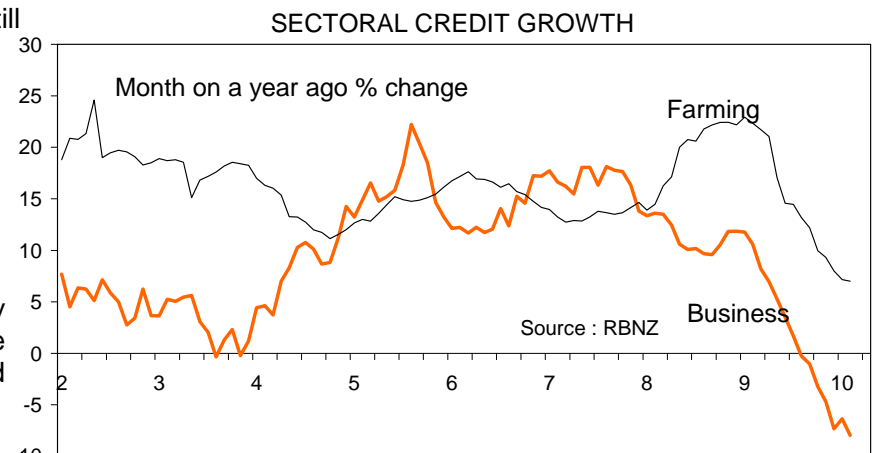
In the three months to February the value of consents issued for the construction of non-residential buildings was down 16.6% from a year ago. If we take out things like hospitals and churches then we are left with a decline in “business” consent values compared with a year ago of 39%. Businesses say their confidence is high and that they plan investing. In fact the February NBNZ Business Outlook survey showed a net 30% of respondents planned boosting their commercial construction.



But when it comes to actually committing to a project the backs get turned. Non-residential construction generally makes up about 3% of economic activity in the country so weakness in the sector is not of huge importance with regard to where the economy goes. But we take the weakness as confirmation that a key missing element in the upturn so far is business investment. It will come, the question is just when.

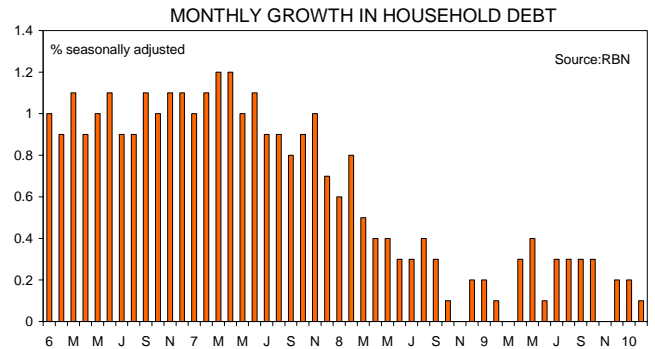
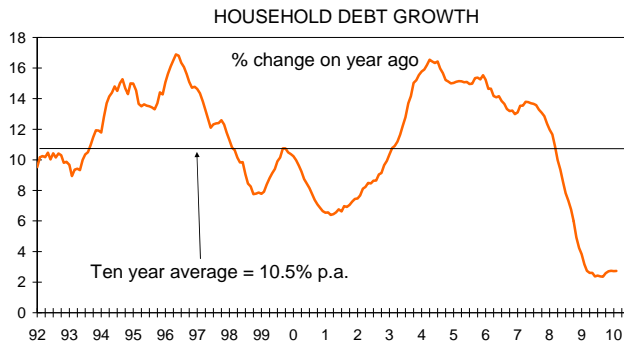
Some companies note that credit is tighter. Yes. They feel that this is restricting the ability of companies to invest. Actually, while lending criteria are tighter, we are finding the bigger problem with regard to growth in bank lending to businesses is that there is insufficient demand.

With the farming sector debt is still growing and was 7% higher in February from a year earlier. This is interesting because it is in the farming sector that debt burdens appear to be greatest – against a backdrop of high income volatility – and where the debt is going is a bit of a mystery given the collapse in farm sales to a quarter of where they were two years ago. Travel in the past two weeks through Waikato and the Wairarapa indicates buyers are few and far between and where there are sellers they are holding



out for old level prices – not the new market prices which seem to be 25%+ down from where they were.

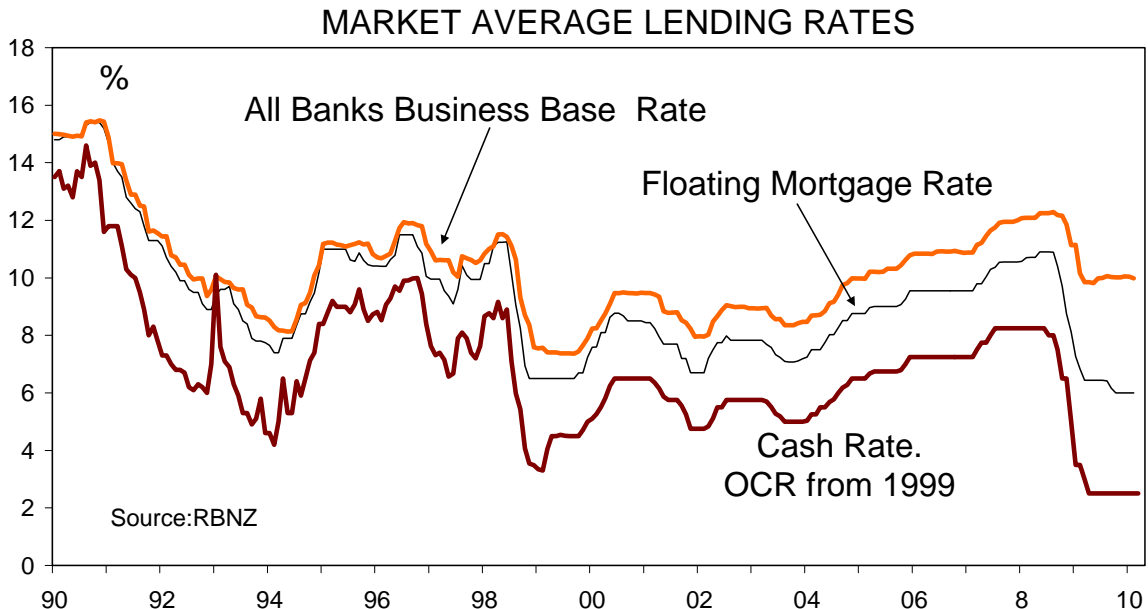
The household sector is half-way between the business and farming sectors when it comes to debt change. Household debt is growing, but only by a seasonally adjusted 0.1% in February following 0.2% growth in January and December and no growth in October. Debt was 2.7% up from a year earlier and it is clear that the lowest floating mortgage rates in four decades are not stimulating household borrowing and spending – which is why the interest rates are so low in the first place! If they were stimulating spending as is happening across the ditch then the RBNZ would have already raised their cash rate by now.



Happy Easter everyone. I shall be on the Gold Coast with the partner and five children. Relaxing?

INTEREST RATES

A number of people have been getting somewhat confused about the link between changes in the official cash rate initiated by the Reserve Bank and what happens with our lending rates. Some people feel we are being mischievous when we warn of lending rate rises once the OCR starts getting boosted because when the OCR was slashed over 2008-09 lending rates did not fall as much. Some people claim now that we economists and others at the time were saying that there was no longer a link between the OCR and lending rates and that is why lending rates did not fall to the extent of the OCR.



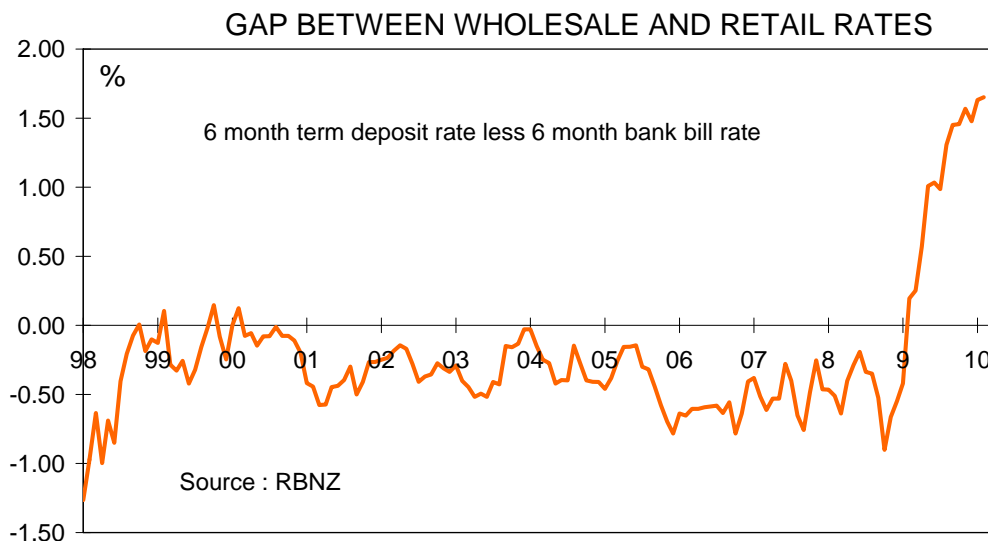
Actually what we were saying at the time was that for a period of time the direct link between the OCR and lending rates had changed because other costs which traditionally had been stable were soaring. For instance, normally when funding your loan offshore (about 40% of the money we lend to you comes from foreigners), we pay a risk premium near 0.2%. That premium hardly ever moved – until the global financial

crisis got cranking and it increased sharply, eventually reaching over 3% (marginal costs) in October and November 2008.

That means if the OCR had sat unchanged over 2008-09 your borrowing costs would have gone up because of the cost increase in 40% of our raw material. The same applies with the other portion of our funds sourced domestically.

In the good old days if you were a bank depositor we would pay you a rate near the 90 day bank bill yield for 90 days. Now with the bill yield at 2.7% we are offering about 4.5%. During the period of time over which the relationship between the OCR and our domestic funding costs was changing the relationship between our lending rates and the OCR was obviously changing as well.

Over the next two years, the only way we will see a repeat of the 2008-09 situation of OCR changes but lesser lending rate changes is if the offshore risk premiums and domestic extra term funding costs head back the other way. That is not our expectation. If that does by some chance happen then lending rates will not rise to the same extent as the OCR.

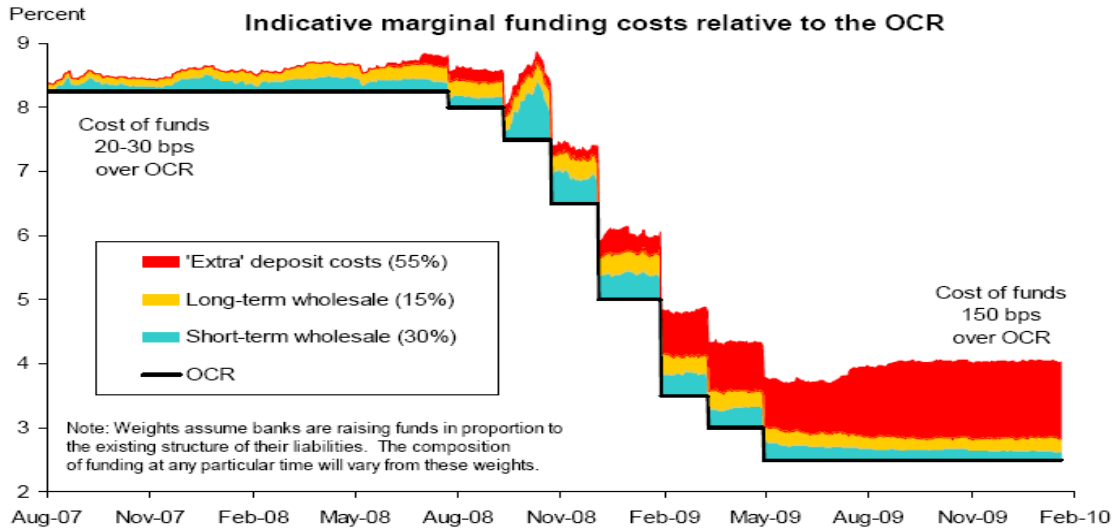


But what borrowers need to realise is that none of this matters a hoot when it comes to bank lending rates. That is because the OCR is only the TOOL which the RB uses to influence its TARGET which is the lending rates we charge. They have in their minds a level of lending rates they consider optimal for influencing growth and the economy. They move the OCR to try and get the rates they want. If they raise the cash rate and we banks decide to sacrifice profits by not raising our lending rates, then the RB will simply keep raising the OCR until we do – otherwise what is the point in raising the OCR?

So while you might sit back and try to figure out how our offshore risk premiums may change and therefore how much forecast OCR changes may influence your borrowing costs – don't waste your time. The RB is going to alter the OCR to take into account any change in these raw material costs which we face.

Just for your guide, here is a graph produced by the Reserve Bank showing their estimate of how bank raw material (funding) costs have changed in relation to the OCR over the past few years. Note that the graph shows the increasing cost of funding the whole lending book rather than just new loans. As our old term funding roles off and is replaced with new higher risk premium funding the total cost above the OCR increases.

Bank funding costs up 120-130bp



Source : RBNZ

This week short term rates have sat unchanged with little movement in expectations for when the Reserve bank will start tightening monetary policy. Swap rates have however crept up slightly but still lie well within recent trading ranges.

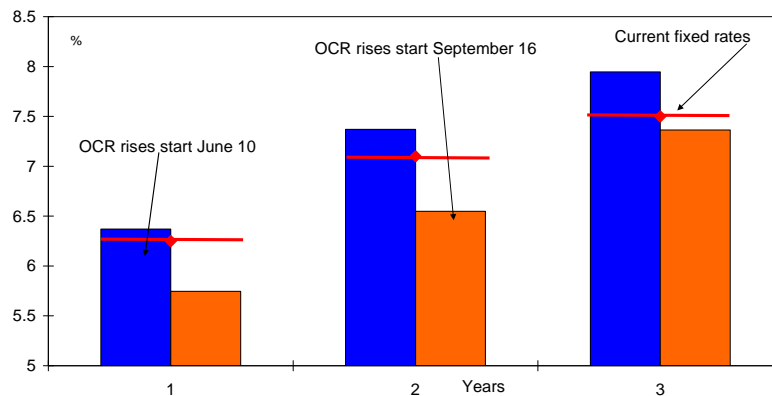
Key Forecasts

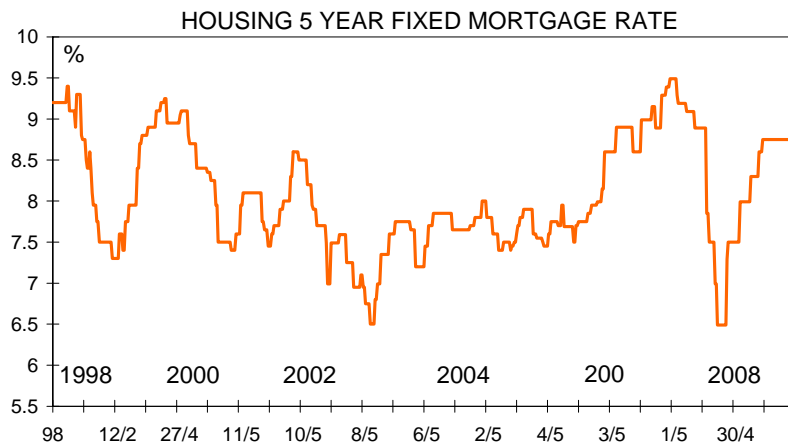
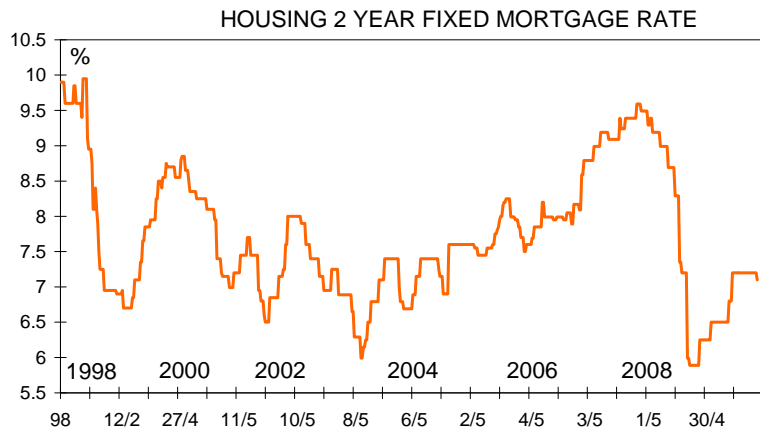
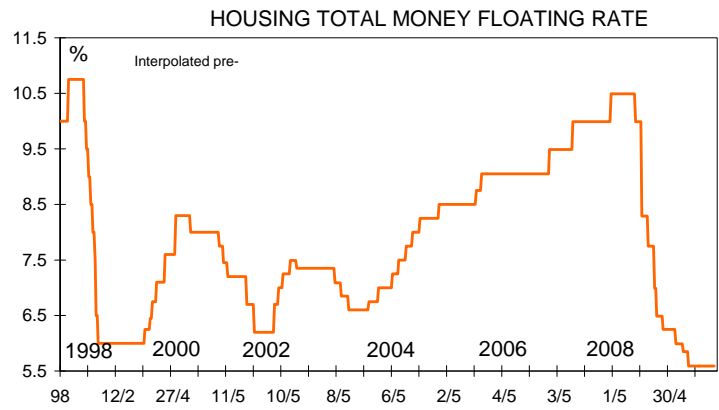
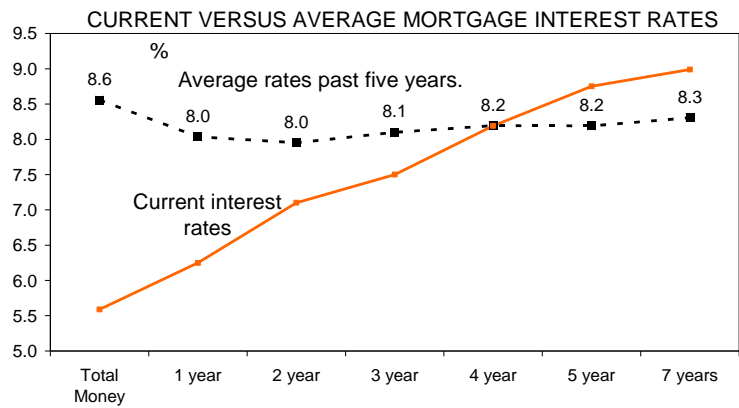
- Tightening mid-2010.
- Medium to long term housing rates to rise again in a few months.

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	2.70%	2.69	2.75	2.81	3.37	6.5
1 year swap	3.54%	3.48	3.41	3.71	3.41	6.7
5 year swap	5.36%	5.29	5.17	5.61	5.12	7.0

If I Were a Borrower What Would I Do?

I would still be floating. The recent round of cuts in fixed interest rates might suit those seeking high rate security, but I would still look to delay jumping into a one or two year rate until closer to the time when the RB starts raising the cash rate.





Why Not Deposit Five Years Near 6.75%?

With regard to the portion of one's investment portfolio in term deposits, one person felt that it would be better to take a five year term deposit rate now at 6.75% rather than take something like a six month rate at 4.9%. One would get 1.85% more – which is not to be sniffed at, and clearly there are lots of people wanting higher yields than short term rates are offering as demand for corporate bonds has been very high in recent issues.

But doing this would be akin to people who lock in a five year fixed mortgage rate at 9.3% simply to save on a floating rate at 10.5%. Inevitably when interest rates fall those very same people are trying to break their fixed rate contract and we would expect those locking in at a five year term rate currently to feel similarly unhappy with their decision not terribly far down the track.

Our expectation is that as monetary policy tightens long term fixed rates will also rise – though of course not by the same amount. Some think long rates will not rise because credit demand is so low. Their mistake is in assuming credit demand will not improve. At some stage we expect demand from households and businesses will pick up and this will boost rates across the curve. By how much is impossible to say given the huge uncertainties regarding the timing and strength of that pick-up in credit demand and events offshore.

But one way to look at the choice is this. For each month I sacrifice at the moment by taking a six month term rate at 4.9% versus a five year rate at 6.75% I need to see the five year rate rise only an extra 0.031% at least in order to be better off.

That is, (ignoring compounding for simplicity) one month's difference between a 6.75% rate and a 4.9% rate is $(6.75/12 = 0.56)$ less $(4.9/12=0.41)$ giving 0.15% for the one month. To make that back over 59 months (five years less one month) I need the five year rate just $0.15\%/59*12 = 0.031\%$ higher in a month's time. If I stay short for six months the four and a half year term rate will need to be 0.21% higher and if I wait a year the four year rate in a year's time would need to be almost 0.5% higher. Actually, given our expectation that short rates will rise the boost in the long rates will be less than this.

Our current forecast is that in a year's time the five year swap rate will be 1.2% higher than it is now, implying roughly (market competition is relevant here) the five year term deposit rate will be at least 1% higher.

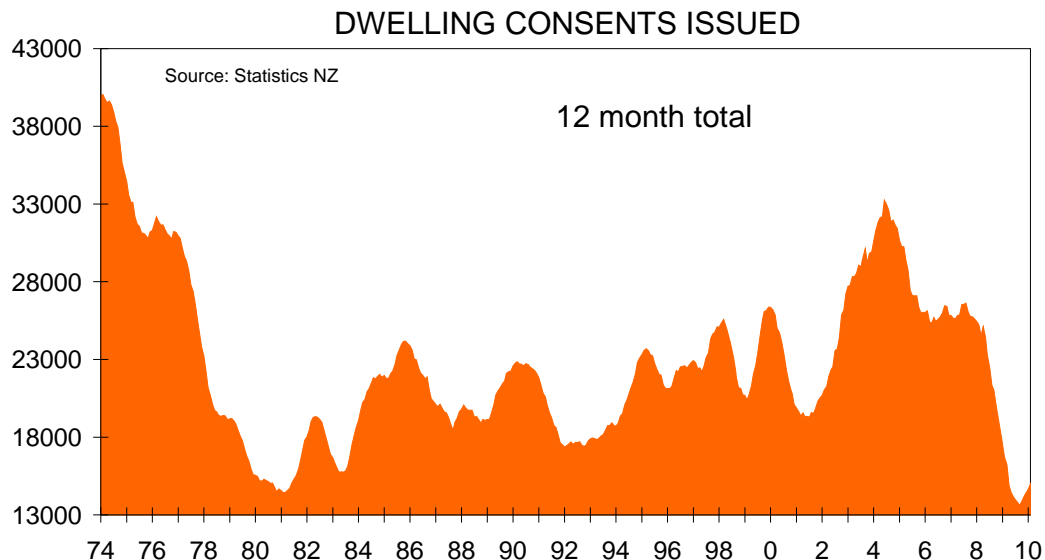
The odds are that I will do better putting my funds into short terms at the moment and hopping long term perhaps some time next year. More accurately, the opportunity cost of sitting short given our expectation that long rates will rise rather than fall is small enough to take the short terms on offer.

Therefore, for my term deposit portfolio I am sitting short and on call and hope to be clever enough to switch long term when those rates are near their peak, and hopefully am correct in expecting those long rates will rise appreciably from their current levels.

HOUSING MARKET UPDATE

Nothing Much New Learnt

The only new data received on the housing market this week were the construction consent numbers on Tuesday morning. They show that in the three months to February the number of dwelling consents issued around the country was up from a year earlier by a healthy 26% with seasonally adjusted numbers rising 5.9% in February after falling slightly in the previous two months. Annual numbers now stand at 14,971 from a four decade low of 13,616 in September and a ten year average of just over 24,000.



In fact the rate of improvement in these numbers has slowed considerably since November with numbers in the past three months up only 0.3% seasonally adjusted from 17.7% growth three months earlier. It is likely that uncertainty about tax changes explains some of the weakness – but not all of it as activity cooled in November. That is probably because as with so many other readings people pulled in their horns a bit after the euphoria surrounding avoidance of a Depression scenario.

Our expectation is that in spite of easing net inward migration and soon to be rising floating mortgage interest rates there will be a good lift in housing construction over the coming couple of years. However given restraint from lack of finance company lending, the likely return of a builder shortage next year, plus investors deserting new construction because of coming tax changes, construction will struggle to grow fast enough to prevent a rebound in house prices next year.

Speaking of house prices – things have clearly stalled in the real estate market for now as seen in results to our monthly survey reprinted here.

Real Estate – Residential

- In the real estate/residential sector we are finding the industry stagnant
- Real Estate in Gisborne. Activity picked up this week and after a slow first half of the month, there seemed to be activity which resulted in a couple of residential sales. However, the extra work required to actually get them to unconditional status is become harder and harder, with mortgages being greater than sale price, banks requiring valuations, and not providing answers within the time frames. As well buyers in some cases have been totally unreasonable with offers. This requires considerable effort on sales persons, stress on sellers and all to no avail, unless the parties finally capitulate and accept the offer
- Property in Auckland is still patchy but the tide is starting to come in!
- Tough going, lots of listings available for sale

- Property Consultancy (Valuation) in Bay of Plenty. Relatively subdued market, wide variation in selling timeframes, party's circumstances playing large role in determining prices achieved, better property still well sought after, poorer property difficult to shift unless very sharply priced. Busy in our office, market appraisals time consuming due to inconsistencies in market such as incentives and rent holidays.
- In Real Estate on the Shore things are a little slower in terms of buyers making decisions but sales are still reasonable and prices holding
- I am in real estate in Wanaka. It is definitely a buyer's market and buyers are very cautious and are looking for a bargain. Our average price range is in the 4-500,000. Still we box on!!!! We are advising our vendors who have the 1.5m houses to sell that unless they need to sell then perhaps take off the market and re-list when the market picks up and no-one can know when that might be.
- City fringe real estate. Buyers in the market but will not go the extra mile when making buying decisions. Vendors seeing the opportunity to exit the market while it still has a competitive element.
- Real Estate Small provincial town of 4000, sales are extremely slow with purchasers taking their time in making decisions. An area with a lot of holiday homes and past overseas purchasers. This area has become extremely slow. We are finding most purchasers are from the local area rather than from out of town as in the past.
- Quite difficult, lack of urgency by buyers. Real estate Tauranga.
- I've been a mortgage broker for 7 1/2 years and have made the decision to move on. Very sad about it as I love the work but it's just not paying its way anymore...
- Real Estate Johnsonville: Activity eased off from a reasonable rate of enquiry to a more standard real estate market that ticks along. Open Homes quieter in visitor numbers but still not a concern as the amount of enquiry is adequate for business.
- Conveyancing slow at present. Still uncertainty about tax reforms. Still active in other areas.
- Real Estate, great enquiry returning, great numbers at open homes & sales starting again
- Real Estate Eastern Beaches - Number of listings is showing some increase, sales are continuing at a steady rate. An increasing number of over-capitalised owners putting their homes on the market at "got to make a profit" prices when they bought the properties on a much higher market. This is causing a slow down of sales as their price steps down to what the current market will accept. Altogether, a better type of market displaying a gradual increase of listings, sales and prices occurring from previous months.
- Real Estate but in particular Facilities management. All businesses continue to look to reduce costs and be seen to be reduce carbon footprint, our industry is therefore becoming a niche growth industry in NZ with no relevant local qualifications framework in Facilities Management demand for highly skilled and experienced FM's in strong.
- Slow. buyers are making slow decisions.(Real Estate), sales number dropping.
- Real Estate - less sales - fewer listings
- I am a Registered Valuer in Christchurch. The residential market is quiet with the up to \$450,000 bracket the most active.
- Real Estate, Residential, Invercargill. slowed up in last 10 days, prices not rising. Enquiry steady.
- Real Estate, Residential Auckland Eastern Suburbs. Buyers are definitely sitting on their hands and taking time to make a decision. They have a bigger choice with more stock available. March the best sales month for over twelve months and will be interesting to see if it continues. Unfortunately it all feels a bit like early 2008.
- Residential Real Estate (Chch). Well everything was humming along nicely until February and it feels as if the market has done a 180 degree turn. Suspect buyers will realise sometime soon it's their market now and they'll come out to play.

Real Estate – Residential Investment

- Professional property investor/landlord in Wellington. One of the most buoyant starts to the year for years - demand from tenants is up, and consequently I have been able to push rents up with no problem, just in case the government proceeds with tax changes. If there weren't tax changes mooted, I would have kept my rents stable.
- Residential property investment. My accountant has just informed me a lot of her residential property investor clients are talking to her to re-arrange their affairs and are selling their properties. I have just

signed on a tenant who has had to move from her last two houses because her landlord has sold the house she was living in.

- Residential property landlord – Wellington Property market subdued due to proposed tax changes. General economic conditions have made rentals hard this year but all my own rentals renewed bar 1 and still managed to increase rents.
- Dargaville – Northland Rental Properties. Good Tenants scarce. Rents going down not up to get good tenants. Can't see that changing this year.
- I am in property investment, and I have 2 x two bed units for sale in Browns Bay, Auckland. I have put them on the market for well under valuation, and no real interest in them at all over the past 7 weeks. Investors are not interested and lower income earners are not interested in purchasing either. The property market on the North Shore has completely dried up. People are keeping their hands firmly in their pockets.
- Residential rentals, Wellington - strong rental prices, although not as good as Auckland. REINZ values up in Urban Wellington, well above the peak in 2007, improving confidence.

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.

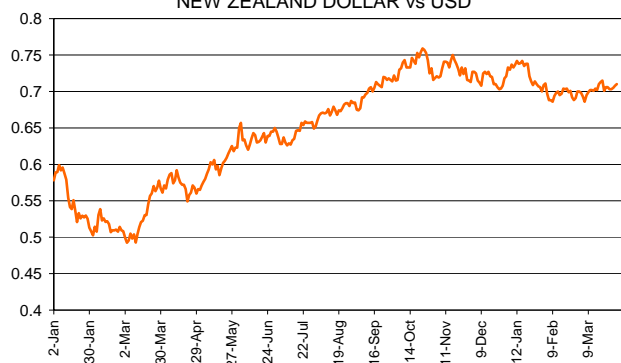
Exchange Rates & Foreign Economies

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	0.703	0.691	0.721	0.561	0.535	0.592
NZD/AUD	0.775	0.771	0.779	0.807	0.826	0.778	0.856
NZD/JPY	66.00	64.50	61.50	66.70	54.4	53.5	66.8
NZD/GBP	0.471	0.472	0.453	0.449	0.395	0.357	0.345
NZD/EUR	0.529	0.527	0.510	0.503	0.426	0.404	0.51
USD/JPY	92.95	91.75	89.00	92.51	96.97	100.0	113.9
USD/GBP	1.507	1.489	1.525	1.606	1.420	1.50	1.709
USD/EUR	1.342	1.334	1.355	1.433	1.317	1.324	1.156
AUD/USD	0.916	0.912	0.887	0.893	0.679	0.688	0.69

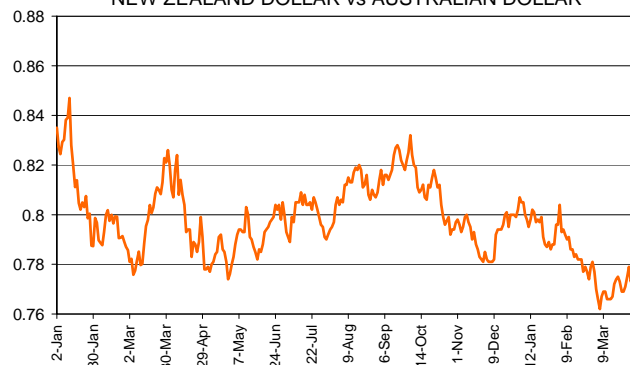
Kiwi Dollar Slightly Firmer

The Kiwi dollar has firmed slightly against the greenback this week to 71 cents, which is below the 71.5 level of two weeks ago. The currency has been receiving support recently from some optimism regarding commodity prices and profit-taking (buying) following weakness against the Aussie dollar since October. A small rise has been recorded against the Australian currency, but during the week there was a lift in expectations regarding the speed of monetary policy tightening in Australia.

NEW ZEALAND DOLLAR vs USD



NEW ZEALAND DOLLAR vs AUSTRALIAN DOLLAR



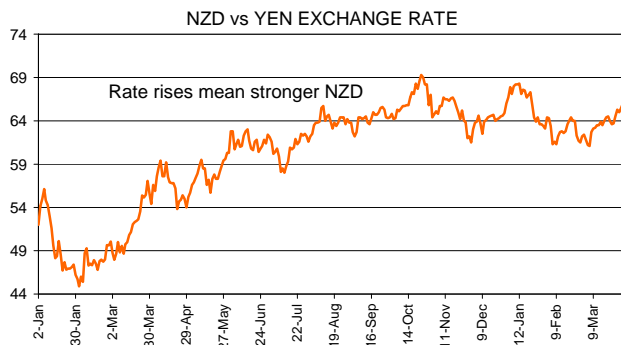
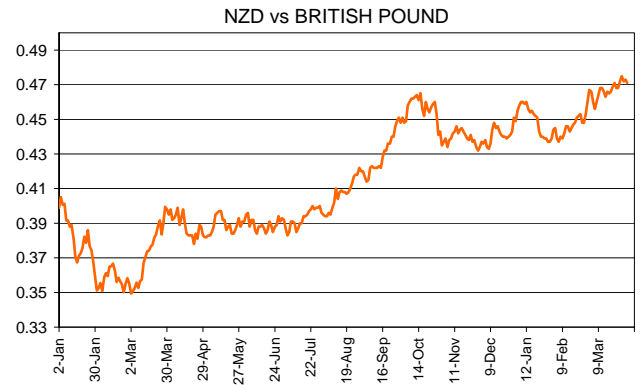
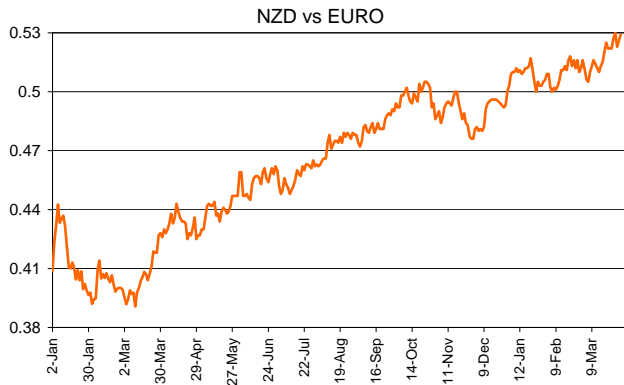
In Australia the data have been falling on the better than expected side for quite some time now with activity boosted by a resurgence in the minerals sector, strong infrastructure spending, high business and consumer confidence, rising house prices, and a very strong labour market. Our economists in Australia now feel that the Reserve Bank of Australia needs to take interest rates away from still stimulatory levels at a faster pace than earlier thought. Therefore they expect 0.25% cash rate increases in April and May with the current 4% rate reaching 5.25% by the end of this year.

The starting point for their rate rises was 3% with the first rate rise coming last October. Come the end of 2011 the cash rate is forecast to be at a contractionary level of 6%.

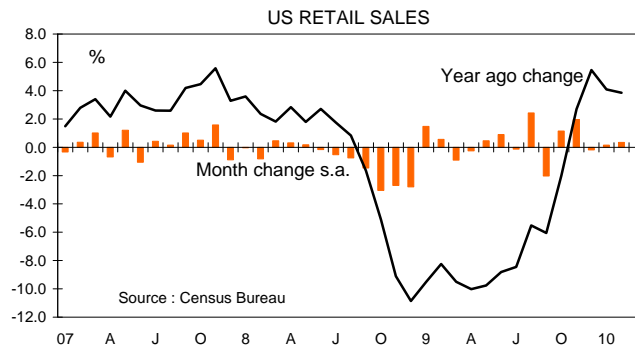
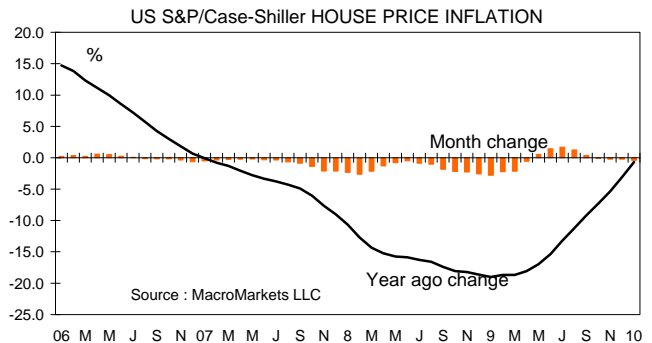
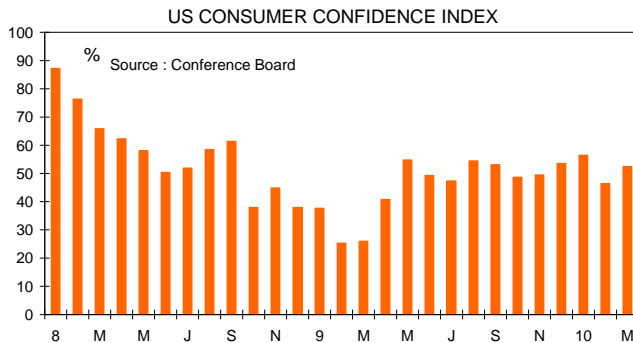
This rate outlook implies that at a time when the chances are rising that our RB moves its cash rate up in July rather than June, the NZD/AUD cross rate will struggle to make much ground in the near future. Nevertheless we do expect the next large move to be a recovery in the NZD against the AUD once rates here start rising. Those rises, when they start, will occur at a faster pace than across the Tasman simply because the Aussies started sooner. That means that while in the next couple of months the interest rate differential will grow even more in favour of the AUD, the relationship will move back the other way over the second half of the year. But that change will not be radical, especially in light of our monthly BNZ Confidence Survey which shows the recovery in NZ's economy is patchy at best and not suggestive of any particularly strong need to raise rates rapidly.

BNZ WEEKLY OVERVIEW

Against the Japanese Yen the NZD has risen to a two month high near 66 from 64.5 last week, against the Euro we have held steady near 52.9 centimes, and against the embattled Pound we are also unchanged just over 47 pence.



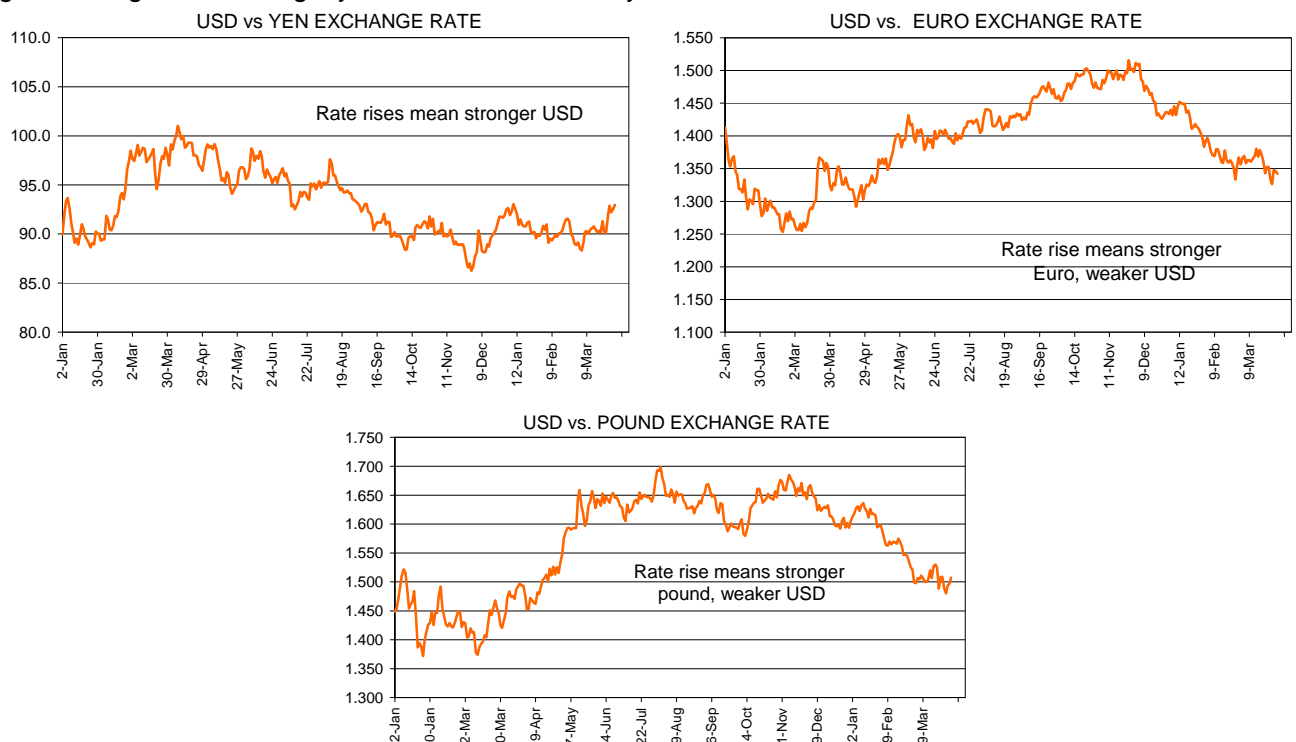
The US dollar has generally strengthened over the week assisted by some slightly better than expected data. House prices in the key Case-Schiller measure for instance almost rose in January and consumer confidence recovered in March after falling in February.



BNZ WEEKLY OVERVIEW

Part of the improvement in consumer sentiment may be due to growing anecdotal signs of labour market improvement. It is expected that when the non-farm payrolls report comes out for this month a gain of 180,000 will be reported.

This evening the USD was costing 93 yen compared with 90.2 a week ago which is a two month high. Against the Euro the USD firmed to \$1.342 to buy one Euro from \$1.352 last week. During the week the rate hit \$1.325 which is the strongest for the dollar in ten months. The Euro has been weighed down in recent months by worries about the fiscal situation in Greece and the risk of contagion to other economies. Although agreement has been reached for other Euro-zone members to stand behind Greece along with the IMF if they default, there is still a risk they do fail to sell all desired bonds in the open market and if this happens attention will focus even more than it already is on soaring debts and large deficits in the likes of Spain and Portugal – not to mention the UK. Hence weakness in the pound as well which finished the week against the greenback slightly better at \$1.507 to buy one Pound from \$1.48 last week.



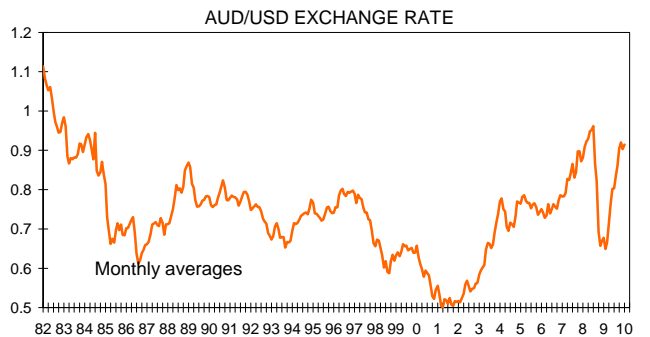
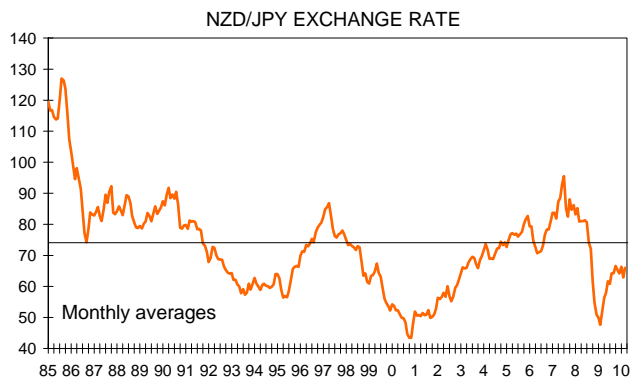
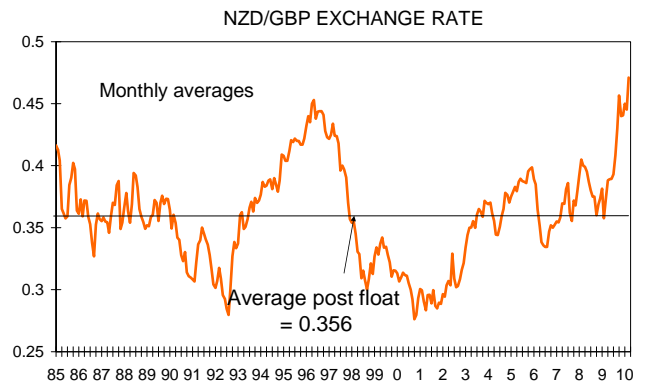
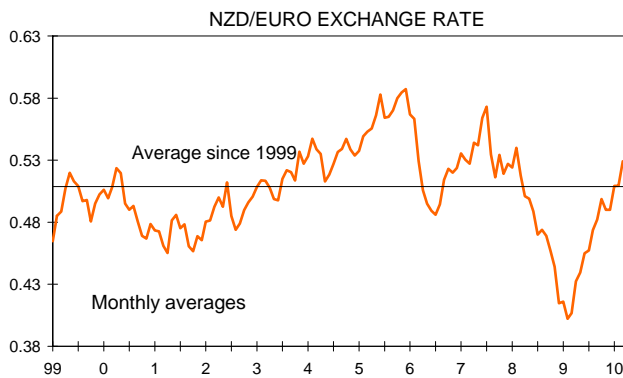
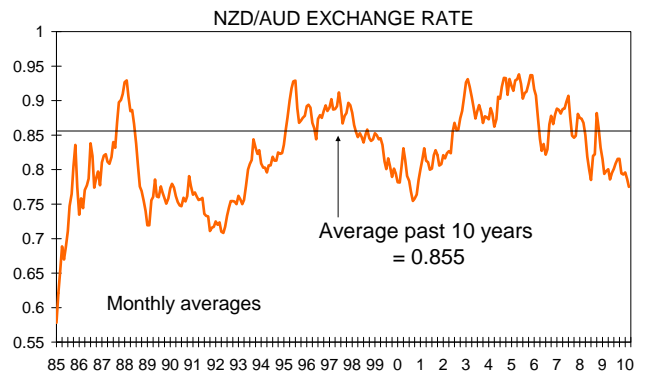
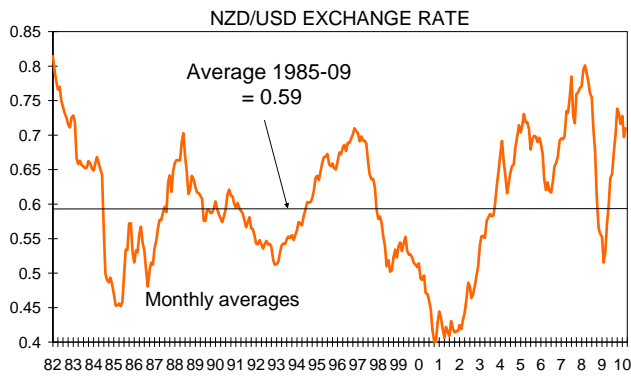
That gain in the Pound mainly reflects some better than expected data on fourth quarter GDP and the current account balance.

Our expectation remains that once NZ monetary policy tightening starts the NZD will generally firm against other currencies. Against the pound – as the past decade has shown – anything is possible. In the near future maybe the NZD firms as uncertainty regarding the UK general election is likely to dampen support for sterling.

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>

If I Were An FX Receiver What Would I Do?



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

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ECONOMIC DATA

All %		Latest qtr only	Previous qtr only	Latest year	Year ago	2 Yrs ago
Inflation	RBNZ target is 1% - 3% on average	-0.2%	1.3	2.0	3.4	3.2
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	2.8	2.5	6.0	-7.9	8.0
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	52	57	3	5	2
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	7.75	9.99
3 yr fixed hsg rate	10 year average = 7.9%	7.95	7.45	6.99	6.99	9.40

ECONOMIC FORECASTS

Forecasts at Mch 11 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	0.4	2.8	2.5	3.9	-0.3	-0.7	2.6	2.7
Government Consumption	4.9	4.2	0.2	2	2	4.4	4.8	1.1	1.4	2.2
Investment	5.5	-7.2	-10.3	4.8	8.7	5.5	-3.6	-12.5	1.5	9.3
GNE	4.6	-1.7	-3.6	5.2	3.6	4.7	0.2	-5.2	4.4	4.1
Exports	3.1	-3.3	2	0.7	5	3.9	-1.3	-0.1	0.3	4.8
Imports	10	-4.7	-12.2	5.1	6.7	8.9	1.9	-16.2	3.7	6.7
GDP	2.9	-1.4	-0.3	3.7	3.1	2.9	-0.1	-1.5	3.1	3.5
Inflation – Consumers Price Index	3.4	3	2.3	2.6	2.6	3.2	3.4	2	2.8	2.3
Employment	-0.2	0.8	-1.3	2.6	3.2	2.3	0.9	-2.4	1.7	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	1.6	3.6	4	5	3.1	1.7	3.1
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	90	104	108	112	91	90	100	106
EUR/USD	1.55	1.31	1.36	1.34	1.28	1.46	1.34	1.46	1.36	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	0.42	0.38
NZD/EUR	0.52	0.41	0.51	0.53	0.52	0.53	0.41	0.49	0.54	0.52
NZD/YEN	81.1	51.8	63.3	74.4	71.3	86.3	50.9	64.2	73	71.6
TWI	71.6	53.8	64.8	68.2	65.1	71.6	55.1	64.7	68.4	66
Official Cash Rate	8.25	3	2.5	4.25	6	8.25	5	2.5	3.75	5.75
90 Day Bank Bill Rate	8.91	3.24	2.8	4.62	6.2	8.9	5.23	2.78	4.17	6.12
10 year Govt. Bond	6.36	4.77	5.8	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