Bank of New Zealand

BNZ Weekly Overview

22 June 2006

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FINANCIAL MARKETS DATA

	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	7.25%	7.25	7.25	7.25	6.75	6.3
90-day bank bill	7.50%	7.48	7.51	7.52	7.04	6.6
10 year govt. bond	5.87%	5.82	5.83	5.75	5.82	6.5
1 year swap	7.46%	7.44	7.41	7.27	7.05	6.7
5 year swap	6.89%	6.83	6.82	6.56	6.62	7.1
NZD/USD	0.616	0.621	0.618	0.623	0.716	.57
NZD/AUD	0.835	0.843	0.822	0.869	0.92	.86
NZD/JPY	70.6	71.4	69.3	73.1	77.6	66.0
NZD/GBP	0.334	0.337	0.33	0.37	0.392	.35
NZD/EURO	0.487	0.493	0.485	0.52	0.588	.509

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There Is No Recession in New Zealand

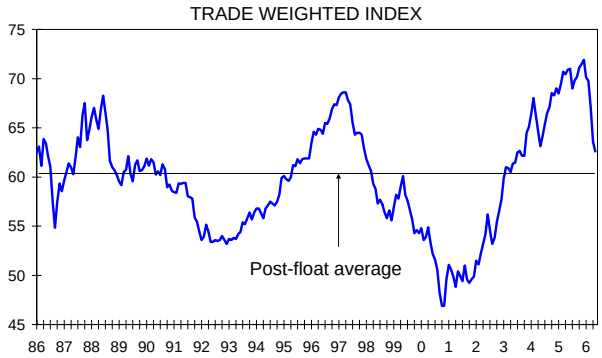
Economics is known as the dismal science probably because a lot of the time us economists are pointing out the negative implications of what at first may seem to be a positive thing. For instance if told that prices for our commodities overseas are likely to rise by 30% we will not only point out that farm incomes will rise and the economy's growth rate will lift with good growth in retailing and housing, we will also point out the resulting rise in the exchange rate will squeeze the profitability of all non-commodity exporters and a hike in inflation will lead to higher interest rates.

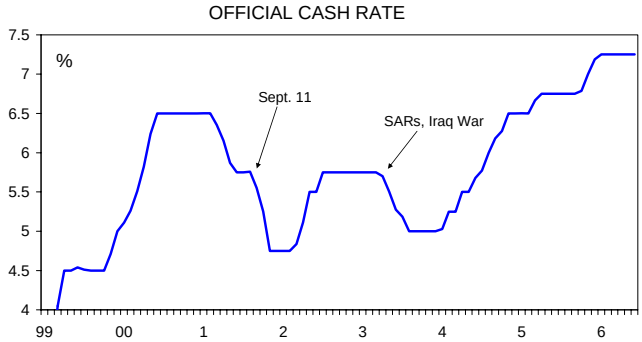
Over the past 2 ½ years and in particular early this year the central theme being run by most economists was that the New Zealand economy was headed for a very weak period of growth if not a recession and that on the back of this the New Zealand dollar would weaken sharply if not in 2004 then in 2005 and that the Reserve Bank would not only fail to keep increasing interest rates over 2004 and 2005 but would start cutting them very shortly.

Regular readers of the Weekly Overview will know that our stand has been quite different. The past 2 ½ years we have emphasized the many factors insulating this period of slowing growth in our economy. These insulating factors have been listed in this publication numerous times before and include relatively low fixed interest rates, easing fiscal policy, high job security, infrastructure spending, a backlog of construction orders, and more recently strong overseas growth leading to good support for commodity prices and improved orders for exporters generally.

Because we have not been expecting the New Zealand economy to slip into a hole in the ground and because of our analysis of past currency behaviour we have repeatedly warned that it would be unreasonable to expect the New Zealand dollar to stage any significant decline before the end of 2005.

That forecast has proved to be right on the mark with the New Zealand dollar on a trade weighted basis hitting a post float high in December last year but since the start of this year falling by approximately12%.



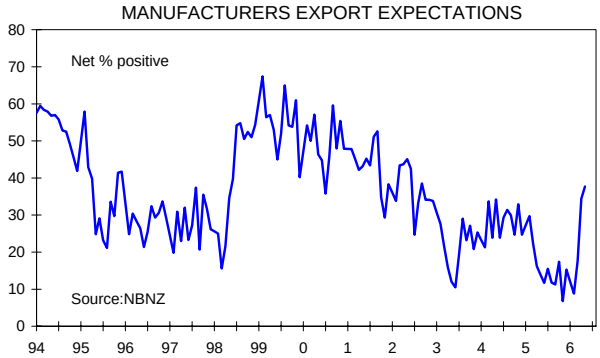


The other strong position we have taken has been on monetary policy. We have been highly critical of the Reserve Bank for failing to take into account the many factors likely to support growth going forward in the New Zealand economy and have repeatedly emphasised the growing shortage of resources. We have warned that floating interest rates would face continued upward pressure and that the risk would be they would not start falling for a lot longer than people were thinking. Again in this regard we have been right with the Reserve Bank initially saying it had tightened its official cash rate enough in October 2004 when it hit 6.75%, but then backtracking six weeks later and admitting that maybe things were not as rosy as they had believed. Since then they have raised the cash rate two more times and it currently sits at 7.25% with little prospect of any decline before March next year.

Having taken a position different from other forecasters over the past 2 ½ years and been proved right it is pleasing to note that many people seem to have noticed this. At the National farm Fieldays in Hamilton last week we came across a number of farmers who were aware that our forecasts for movements in the exchange rate were not as bearish as other forecasters. We have also had feedback from other sources backing up our long held view that the economy would not slip into recession.

In particular one caller this week noted that his manufacturing firm and many others were running flat out with good orders from overseas especially since the fall in the New Zealand dollar early this year. This backs up the comments we have been making in various forums over the past three months regarding manufacturers noting that the fall in the currency had led to higher orders from foreign buyers. We have noted that this is relatively unusual so early in the cyclical decline in the exchange rate because the New Zealand dollar usually starts its cyclical fall because of an absence of buyers overseas.

As previously noted one can explicitly see this rebound in manufacturing export sentiment in the NBNZ Business Outlook survey for June which showed that a net 38% of manufacturers expected their exports to rise over the coming 12 months. This was up from a net 34% positive in May, a tiny net 9% positive in February, and a 10 year average of 34%.



We have also come across a great number of people working in the construction industry who have noted that they also remain very very busy with a backlog of orders.

Tomorrow we expect to receive official confirmation that the economy has not slipped into recession. Gross domestic product in real seasonally adjusted terms is likely to have grown by close to 0.8% during the March quarter after shrinking 0.1% during the December quarter. This result will mean that the economy has grown by 2.2% over the entire 12 months which is below average growth in the past six years of 3.7% and well down from 4.4% over calendar 2004.

Looking forward these are the main things we think businesses need to take into account when assessing the likely economic environment facing them. First, the slowdown in the New Zealand economy this time around is not great enough to cause much freeing up of scarce resources like electricity, roading, and of course people. Businesses are hoarding employees knowing that if they lay them off now they will have major trouble getting them back again when activity eventually picks up. This means continuing upward pressure on wages and salaries and a strong driving need to boost the productivity of one's existing labour force through perhaps a better premises in a better location, more modern machinery and more of it, and better telecommunications information technology systems.

The mild slowdown coupled with resource deficiencies means the inflation rate in New Zealand is unlikely to go back below 3% until 2008. We still think the Reserve Bank could be stronger in their warnings about inflation but they seem much more on the ball now than has been the case over the previous couple of years. Floating interest rates are unlikely to start falling until well into 2007 although before then there will see some mild (and we emphasise the word mild) downward pressure on fixed interest rates.

The New Zealand dollar is likely to keep easing over the next 18 months or so but exporters should not anticipate a currency collapse which would deliver super profits over an extended period of time as happened from 2000 to 2002.

The thing which we think will surprise many operators in the domestic economy is the duration of the weak period of growth. We think too many people believe the slowdown will be relatively short lived and they will be experiencing rapid growth in revenue again come the middle of 2007. That is very unlikely not just because the economy does not have the resources to allow firm growth any longer, and not just because there is no evidence that productivity growth is accelerating and therefore producing overall strong growth in incomes be they profits for wages, but also we expect the restrictive effects of tight monetary policy to remain in place for a long time.

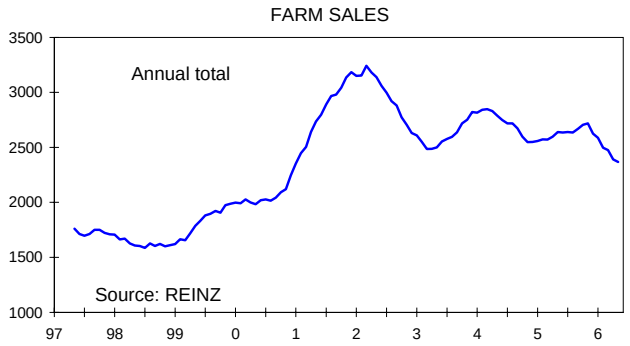
But while the domestic economy continues to experience hard times over the next couple of years the export sector is, as discussed above for manufacturers, already showing some signs of improvement. We expect improved spending out of the farming community over the 2007/08 season with this season likely to be dominated by a desire to consolidate cash flows after many years of strong debt growth. Tourist numbers are likely to be good this winter for the skiing regions while over summer we expect good inflows of people from the northern hemisphere as our currency will look competitive and incomes growth overseas should be good.

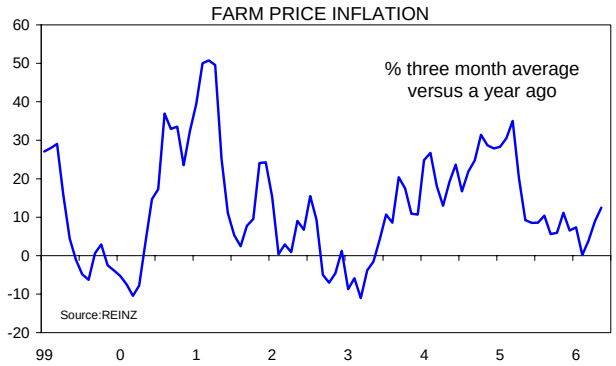
THE WEEK'S ECONOMIC DEVELOPMENTS

Tuesday 20

Rural Real Estate Easing

In May there were 251 farms sold around New Zealand which was an 8.4% decline from a year earlier. However this fall was much less than the annual decline of 32.4% in April and a better picture is gained by looking at the total sales in the three months to May which were down by 15.4% from a year earlier while in the year to May farm sales were down by 10.3% from a year ago. So activity in the rural real estate sector is pulling back.



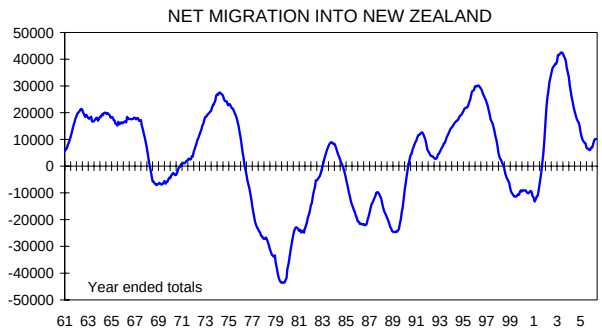


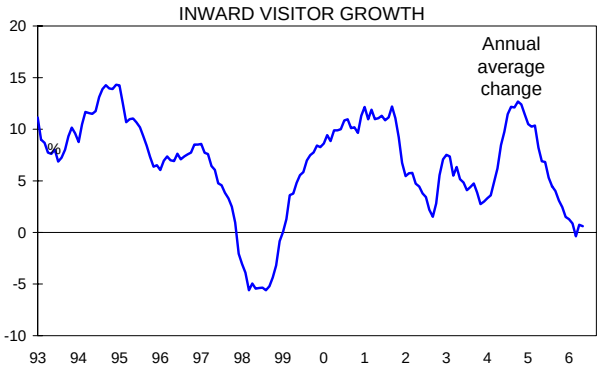
The farm sale price data gleaned from these monthly REINZ numbers cannot be considered a reliable indicator of what is happening with land prices. But for the record in the three months to May the average farm sale price of $1.046 million was up by 12.5% from a year ago but down 5.9% from the three months to February.

Wednesday 21

Net Migration Gain Improved Slightly

There was a net loss to New Zealand's population from permanent and long-term migration in May of 1,020 people. This was better than a net loss a year ago of 1,141 people and means that in the year to May there was a net addition of 10,200 people from 10,079 in April and 5,987 as a low point in October last year. In the three months to May the number of people shifting to New Zealand was up by 3.1% from a year earlier while the number of people leaving permanently was down by 7.4%. So both sides of the ledger have been improving recently. Our concern however is that over the next two years while the New Zealand economy grows slowly and growth continues at an above average pace overseas there will be a return to an increasing outflow of Kiwis while the number of people being attracted here will decline. We don't expect to see net migration flows reaching -11,000 as happens in the last low phase of the migration cycle but a retreat from the current 10,000 per annum gain back toward zero is quite possible. Having said that the way in which the recent improvement in migration flows stands in contrast to the growth divergences of New Zealand and overseas does suggest caution is required in making any projections about migration flows going forward.





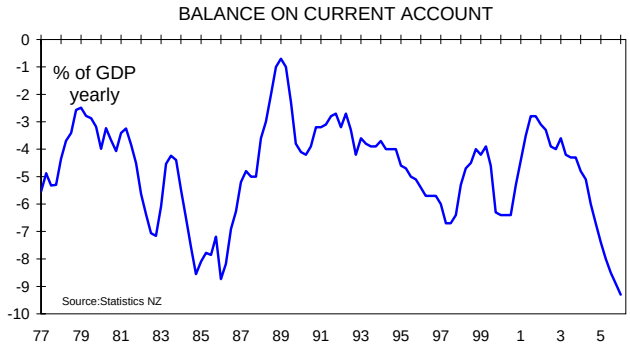
The number of people visiting New Zealand in May was down by 0.3% from a year earlier while in the three months to May visitor numbers were up just 1.7% from a year earlier. For the entire year to May visit a number growth was just 0.6% compared with 6.9% a year earlier. So essentially there is no growth in tourist inflows.

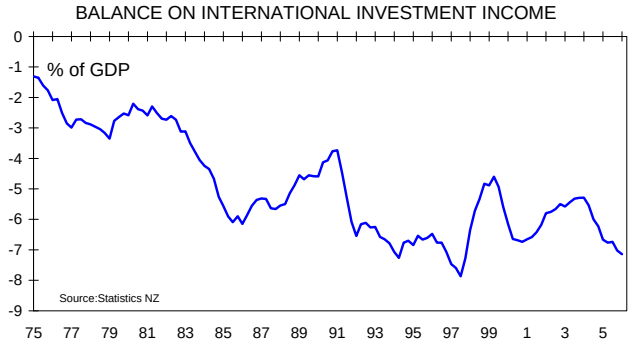
Thursday 22

External Deficit Worse Than Expected at 9.3% of GDP

New Zealand's current account deficit came in at $2.7 billion during the March quarter compared with $1.9 billion a year earlier. This means the annual deficit now sits at $14.5 billion or 9.3% of gross domestic

product. The markets were expecting an outcome equal to 9% of GDP or about $14 billion in nominal terms and the worse than expected result generated some extra weakness in the Kiwi dollar. Over the year to March the balance on the international investment income account was a deficit of $11.2 billion compared with $10 billion a year earlier. On the credit side including dividends and interest received by New Zealanders with investments overseas the balance was $1.6 billion. But on the debit side which catches dividend and interest flows out of New Zealand the outcome was $12.8 billion. This balance almost by itself accounts for the entire current account deficit and reflects the ongoing effects of deficits in earlier years which have been financed by the sale of New Zealand assets and borrowing from offshore. The goods and services account recorded a deficit of $3.9 billion in the year to March compared with $1.6 billion a year ago and a surplus of $300 million two years ago. At 9.3% of GDP the deficit is now at its worst level since the terrible 13% recorded in the year to March 1975 when New Zealand's terms of trade collapsed following the first oil crisis.





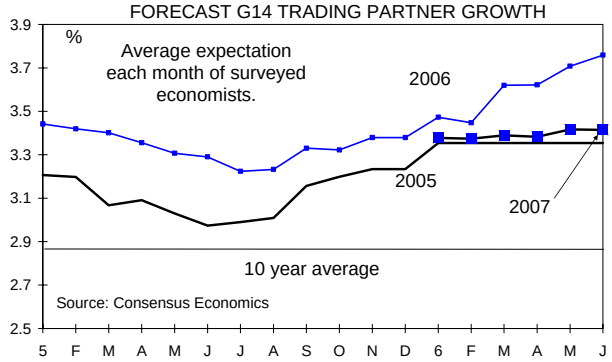
In the modern world it is not really the current account deficit which matters when it comes to currency movements. Instead it is the ability to finance this deficit which matters with such numbers captured in the capital account. The two of these accounts together form the balance of payments. For some reason the current account deficit only seems to be a worry to older males one meets travelling around the country usually from the point of view of increasing foreign ownership of New Zealand assets and usually resulting in some wild and very silly schemes being suggested for stopping this from happening. While the large deficits say quite clearly that the New Zealand dollar is overvalued there is still no major difficulty in getting foreign investors to finance the deficiency of savings in New Zealand. People overseas look at our country and see the second lowest unemployment rate in the OECD, a government into its 15th year of running fiscal surpluses, one of the most deregulated labour markets in the world, the complete absence of any foreign exchange controls on capital and dividend flows, English as the main language, and no history of default. But the point we think many of the concerned people miss is that the deficit is not driven by the government but by the private sector. Then what are really comes down to is whether the foreign investors believe that when we banks undertake in lending we do it with strong assessment of credit criteria. We do and therefore the investors have a far stronger willingness to advance money to New Zealand borrowers than might have been the case let's say 20 years ago.

From an exchange rate forecasting point of view all that the large current account deficit says to us is that the Kiwi dollar is overvalued and eventually will decline. But the deficit gives zero insight into when the Kiwi dollar will next stage a sizeable decline and zero insight into how much that decline will be or over what time period. But the things one really needs to look at are issues like growth differentials and interest rate differentials. Even then one needs to pay most attention to which of these factors the markets will choose to focus on and that is what one can never predict and is why forecasting exchange rates is a complete dog's breakfast.

Foreign Growth Prospects Positive

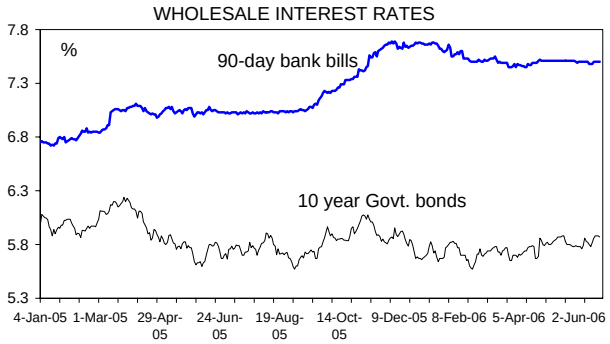
On average New Zealand's top 14 export destinations are forecast to grow 3.8% this year and 3.4% next year according to the monthly publication from Consensus Economics. Each of these forecasts is up from last month by 0.1% indicating increasing optimism about world growth prospects. Over the past six years on average growth in our trading partners has averaged 3.1% around so above average growth is expected this

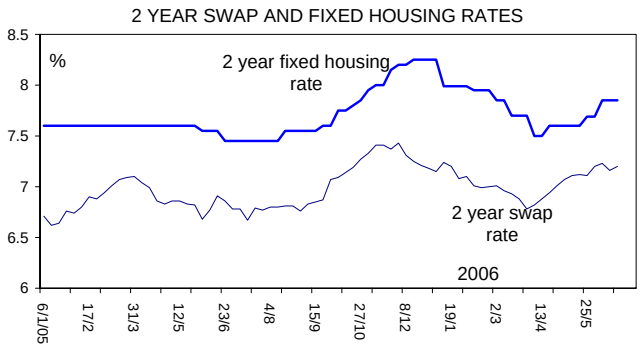
year and next which will be supportive of commodity prices, tourist numbers, and as we have seen recently manufactured exports. But the strong growth in an environment where a lot of spare capacity built up during the 1990s has been used up means slowly rising world inflation and therefore slowly rising world interest rates as has been occurring recently.



INTEREST RATES

With no one expecting monetary policy in New Zealand to be changed for a long long time we have seen 90-day bank bills remain at 7.5% which is where they have been since February. The two year swap rate at which we banks borrow money to lend fixed for two years was up slightly from a week ago at 7.2% from 7.16%. This slight upward movement to the top of the trading range this interest rate has been moving in since May was driven mainly by some mild bearishness in the United States markets on the back of some hawkish comments from Federal Reserve people. Next week the Federal Open Market Committee will meet to decide whether to take their funds rate up from 5% in the United States. The chances are that they will and there is a possibility of one more increase during August. But it all depends on how the economic data come out with the Fed. saying a few weeks ago that they will judge whether monetary policy needs to be tightened further on the basis of the various economic indicators rather than on the basis of a preset path which they are moving along.





If I Were a Borrower What Would I Do?

I wouldn't be anticipating any major fall in interest rates in the near future that is for sure. You only get interest rates at very low levels if something is going drastically wrong either with the New Zealand economy or the world economy. For instance in 2003 when fixed borrowing costs in New Zealand hit record lows there were major worries about deflation in the United States and the Federal Reserve had pushed their funds rate down to a 46 year low of 1%. That rate is currently 5% and likely to rise to at least 5.25% and possibly 5.5% in the next few months. There is nothing to indicate monetary policy is going to be eased in the near future in the United States and that means fixed interest rates are likely to remain relatively firm for a number of quarters.

BNZ WEEKLY OVERVIEW

With regard to the New Zealand economy, although growth is going to remain relatively slow over the next couple of years resource availability will be poor, inflation expectations are rising, the Reserve Bank has not implemented monetary policy efficiently and as a result any easing from here is a long way out and the extent of the easing this cycle is likely to only add up to perhaps 1.5% whereas in the past one might have looked for rates to fall 2% - 3%.

Nothing jumps out in front of this at this stage to say that interest rates are going to be unusually low in the next couple of years. That means that while there is nothing wrong with taking a two-year fixed housing rate one shouldn't do it on the basis of some tricky view that in two years time rates will be unusually low and one will be able to pick up a bargain. Borrowers need to make their fixing decision at the moment more on the basis of what suits one's risk profile and which rate is attractive when compared with other interest rates. Personally speaking, as noted last week, if I was borrowing at the moment I would probably fix three years at 7.75% though it's largely a toss of a coin with the two-year rate at 7.85%.

BNZ Fixed Lending Interest Rates

	Housing	Average Past 5 yrs	Low Past	High 5 years
Float	9.55%	8.00%	6.70%	9.55%
1 yr	8.25	7.16	5.95	8.45
2	7.85	7.28	5.99	8.25
3	7.75	7.49	6.30	8.30
4	7.80	7.62	6.40	8.40
5	7.75	7.65	6.50	8.60
7	7.75	7.83	6.75	8.80

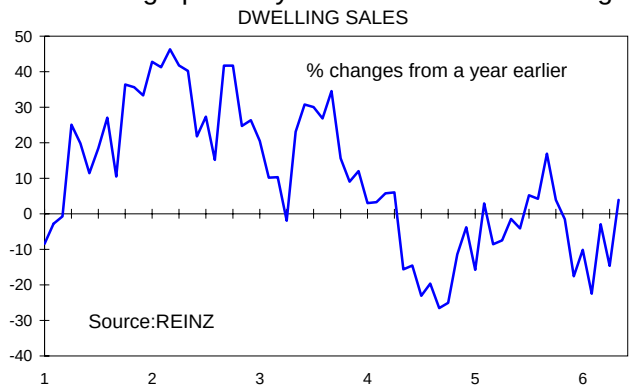
Note: Conditions may apply to these rates.

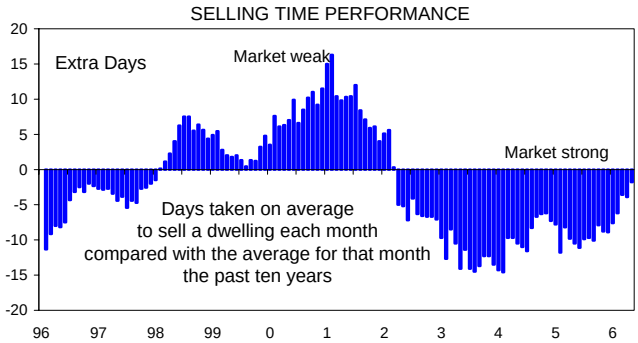
BNZ Term Deposit Rates

Days	$10-50K	$50-100K	$100-250k
30	3.00	3.00	5.25
90	6.20	6.25	6.30
180	6.80	6.85	6.90
1 yr	6.60	6.65	6.70
5 yr	6.10	6.15	6.20

HOUSING MARKET UPDATE

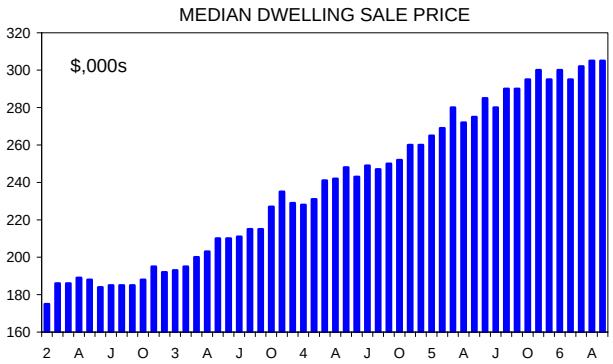
This week the REINZ released their national dwelling sales data for May. It's a fairly confusing picture but when one looks through the various numbers it is clear that the housing market is still flattening out. If we look just at sales then one gets what is probably an over-optimistic interpretation of the current strength in the market. During May there were 9, 642 dwellings sold around New Zealand. This was a 3.9% increase from a year earlier which is the best result since October last year and is in contrast to pay fall of 14.6% in April and 2.9% in March. But a year ago the data were biased downward by Easter and the positive annual rate of change probably overstates the real strength in the market.

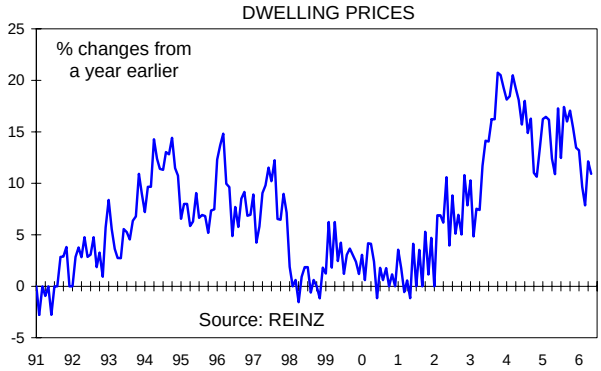




A better picture is gained by looking at how long on average it took to sell a dwelling because this indicator is not affected by how many days are in the month. On average in May it took 38 days to sell a dwelling. This was nine days longer than a year earlier and this deterioration was above six days in April, five days in March, and six days in February. Over the past 10 years on average in May it has taken almost 40 days to sell a dwelling so things are still running slightly better than average. But we are closer to that average length of time to sell than at any point since early 2002 - shown in the graph just above. This indicator says to us that homebuyers are taking their time and do not feel a great sense of urgency at the moment.

If we look at prices we see that the National median dwelling sale price in May was unchanged from April at $305,000. This was a 10.9% increase from a year earlier and if we did what we did four weeks ago and annualised the rate of change in the three months to May compared with the average sale price in the three-month to February we get an annualised rate of increase of 9.9%. On the face of it that looks like prices are rising at a 10% annual rate. But looking through the recent numbers we think the annual rate of increase is probably running something closer to 5% at the moment. So whereas a month ago one could say that real house prices appear to be falling based on this month's data one might conclude they are still rising slightly.





Whatever the case it is fairly clear that there is minimal house price movement underway at the moment and the time of large capital gains for this housing cycle has been and gone. It is way too early to start talking about when the housing market will next accelerate sharply upward because we have the downward leg to go through first and we think one will have to wait at least three years before the economic fundamentals will justify any great strength in the market in terms of annual price gains back over 10%.

It is not hard to understand why the housing market is slowing down. It tends to move in a cycle and has become due for a cyclical downturn with returns to investors at very low levels and minimal growth in rents. The Kiwi dollar is drifting downward from a high-level and this will be discouraging foreign buyers from our market. Average mortgage rates are slowly rising as people roll off old fixed rates into new rates slightly higher. Population growth has slowed down with net migration inflows running below average and those flows well down from the record net gain of 43,000 people in the year to May 2003.

There is a lot of negative talk about the housing market and we can see weakness in other areas of household spending such as car registrations and retail sales. Consumer confidence is also well into negative territory.

Will the housing market have a severe crunch at some stage in the near future? We have long been of the opinion that this will not be a characteristic of this cycle because of the many insulating factors for this period of slower growth in the New Zealand economy. In particular we believe job security will remain quite good during this weak patch and that will make people willing to hold on to the relatively expensive house they may have bought, or keep relatively near to the front of their minds long-standing plans to upgrade their home. We also don't believe investors will be running for the hills this cycle given the relatively attractive level of interest rates by historical standards.

OECD Study

On June 7 the OECD published a study looking at movements in real house prices for 17 OECD countries since the early 1970s. It is a quite detailed piece of work looking at the duration of upward swings in the cycle and whether the downward leg is a sharp correction or something relatively smooth. They then have a look at what the chances are of prices falling sharply - or the housing market having a crash - in these economies. Using data up till the fourth quarter of 2005 they conclude that New Zealand, after Denmark, is the second most likely housing market to have a crash.

This sounds fairly bad. However what they are doing is not forecasting what will happen but taking a look at a particular scenario and estimating what might happen. The scenario they have chosen is a 1% rise in interest rates coupled with house prices continuing to rise at their recent rate of increase. Neither assumption is likely to prove relevant to New Zealand over the next few years. Firstly we do not expect to see the Reserve Bank tightening monetary policy again and we do not expect to see fixed interest rates jumping up by 1%. Secondly assuming they have used data from the REINZ showing house prices in the December quarter of 2005 up by 15.3% from a year earlier we see near zero probability that price rises will continue at such a high rate. In particular as noted above we believe house price inflation has slowed down to something probably close to 5% if one focuses on developments in recent months and therefore any assumption of well above inflation house price increases continuing is unrealistic.

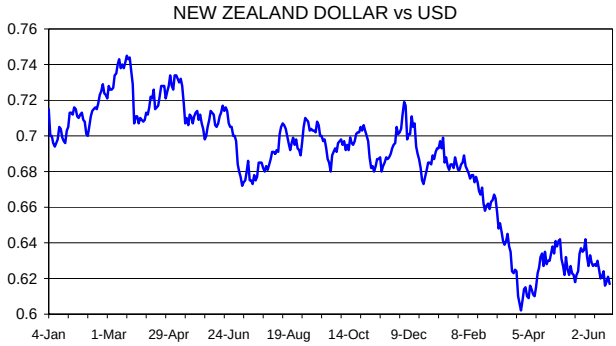
On that basis if you are an investor who has been in the market for many years and you want to scare the newbies then by all means refer them to this OECD study. But given that we do not expect the postulated scenario to eventuate we do not expect to see the housing market crash.

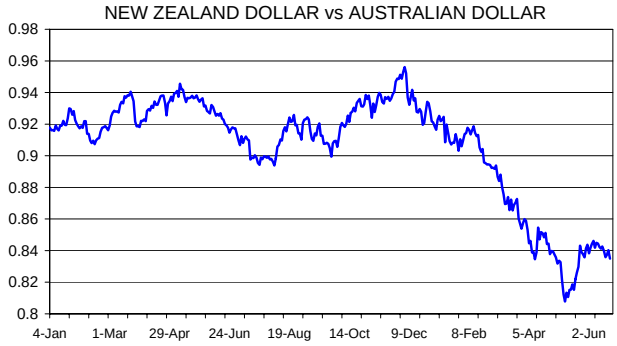
You can download the study from the following website

http://www.olis.oecd.org/olis/2006doc.nsf/linkto/ECO-WKP(2006)16

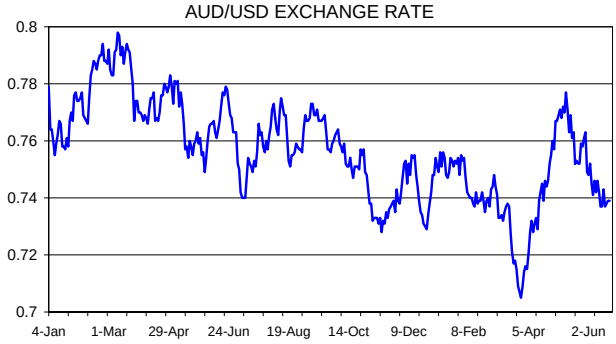
EXCHANGE RATES

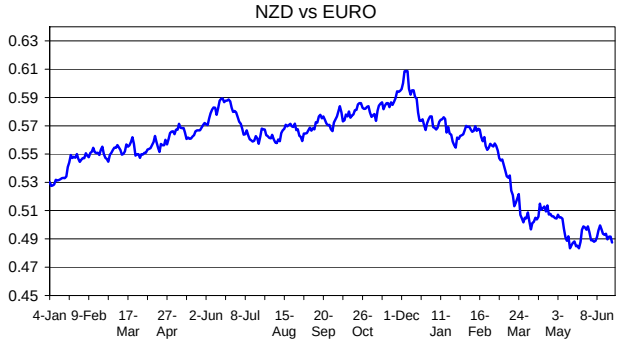
The Kiwi dollar has ended this afternoon against the greenback near 61.6 cents compared with 62.1 cents a week ago and 61.8 cents a month ago. Basically we are near the bottom of the trading range the currency has been moving in since around the middle of March. There was some mild weakness in the Kiwi dollar this morning following the release of worse than expected current account deficit numbers and a warning from Standard and Poors that the level of the deficit is unsustainable and puts downward pressure on the country's credit rating.





The bad current account number simply reinforces our existing view that the Kiwi dollar has further to fall over the next 12 to 24 months. But we remain of the view that getting below 50 cents is a low probability scenario given the lack of scope for a significant fall in New Zealand interest rates this cycle and the absence of a collapse in commodity prices which has typically preceded a substantial fall in the Kiwi dollar.

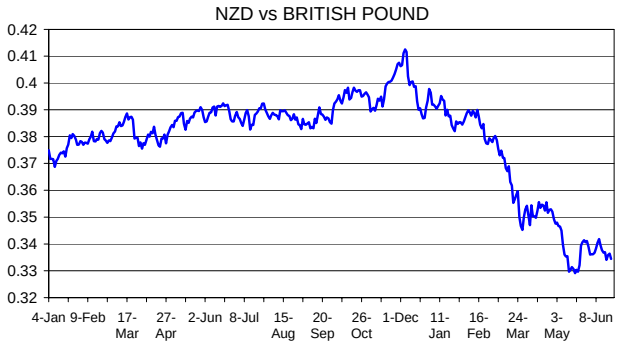


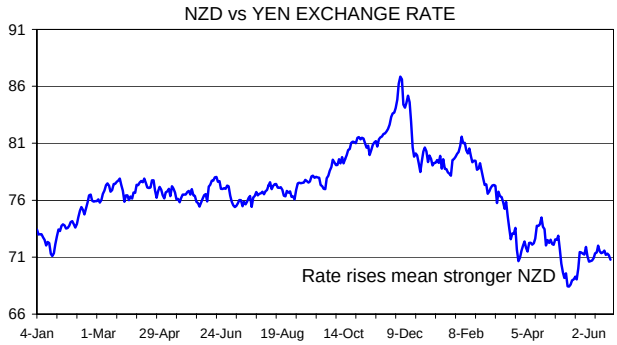


Against the Australian dollar this afternoon we have ended down from a week ago at 83.5 cents from 84.3 cents. The Australian currency itself has ended the week virtually unchanged against the US dollar just below 74 cents in the absence of any major data releases. Over the past five weeks the Australian currency has fallen almost four cents against the US dollar whereas we have dropped about two cents worth the Aussie currency facing extra downward pressure from sharp declines of 10% to 30% in many of their metals and minerals export prices. In the commodity markets there is a sharp correction in prices occurring as traders take profit on positions put on during the March quarter and investors generally pull back from what ended up being overly optimistic assumptions about the rate of growth in demand for some commodities in response to the growth in the Chinese economy.

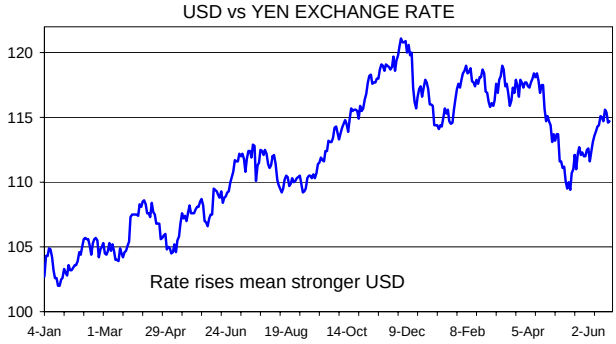
Growth prospects for the Chinese economy certainly look good however not necessarily as good as people are thinking. In particular the Chinese authorities are continuing to make efforts to slow down the rate of growth in their capacity. There are concerns that too many office buildings etc are being put in place and if they fail to be filled at a fast enough pace the capital bases of what are generally agreed to be poorly run Chinese banks will be eroded and their could be a collapse of the Chinese financial system.

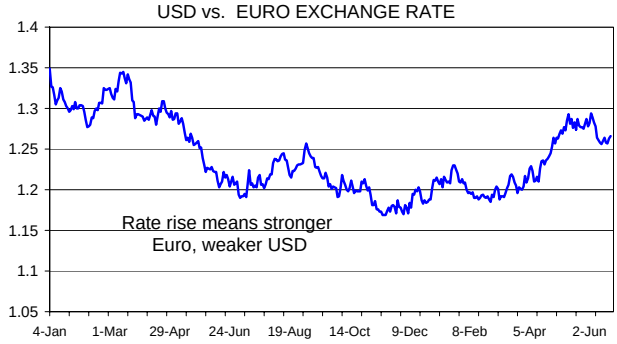
A few weeks ago the authorities lifted the interest rate charged to businesses while keeping the rate for consumers unchanged and over the past week we have seen an increase in reserve requirements for commercial lenders.



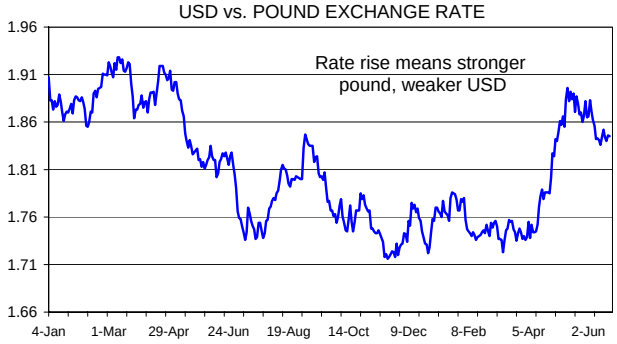


The greenback itself has ended the week against the Japanese yen near 114.7 from 115 a week ago and 112.1 a month ago. The Japanese yen has weakened in recent weeks as the markets have pulled back on their expectations of the Japanese interest-rate policy moving from zero in the very near future. In contrast in the United States various Federal Reserve officials have been warning about rising inflationary pressures with the consumers price index increasing at a faster than desired rate revealed in data recently. Boosting the case are a further increase in interest rates we saw the University of Michigan consumer sentiment survey for June rising to 82.4 from 79.1, an encouraging sign that consumers are continuing to spend up.





Next week the Federal Open Market Committee in the United States will review monetary policy and it is likely that the funds rate will be increased from 5% to 5.25%. There is a mild chance of one further increase beyond that but the Fed. will have to keep in mind the risk that they may tighten monetary policy too far because it can take some time for the effects of previous tightenings to work their way through the system.



BNZ WEEKLY OVERVIEW

ECONOMIC DATA

All %		Latest qtr only	Previous qtr only	Latest year	Year ago	2 Yrs ago
Inflation	RBNZ target is 1% - 3% on average	0.6%	0.7	3.3	2.8	1.5
GDP growth	Average past 10 years = 3.3%	-0.1	0.1	2.2	4.4	3.4
Unemployment rate	Average past 10 years = 5.7%	3.9	3.6	.....	3.8	4.2
Jobs growth	Average past 10 years = 2.1%	1.1	0.0	2.6	3.4	3.2
Current a/c deficit	Average past 10 years = 4.9% of GDP	9.3	8.9	.....	7.4	4.8
Terms of Trade		1.1	-2.5	-3.0	4.5	6.1
Wages Growth	Stats NZ experimental series	1.3	1.7	5.3	5.1	4.9
Retail Sales ex-auto	Average past 9 years = 4.2%.	0.9	1.2	5.6	7.1	5.9
House Prices	Long term average rise 4.2% p.a.	3.9	2.6	15.3	12.2	24.8
Net migration gain	Av. gain past 10 years = 13,000	+10,200	8,277yr	.....	8,799	23,983
		Latest year rate	Prev mth year rate	6 mths ago	Year ago	2 yrs ago
Consumer conf.	10 year average = 8%. Colmar survey	-38	-29	-27	-13	-11
Business activity exps	10 year average = 27%. NBNZ	10	15	0	9	25
Household debt	10 year average growth = 11.4%. RBNZ	14.2	14.7	15.3	15.2	16.5
Dwelling sales	10 year average growth = 4.6%. REINZ	3.9	-14.6	-1.5	-1.4	-15.6
Tourist numbers	10 year average growth = 6.1%. Stats NZ	-0.3	9.7	-2.7	2.3	29.2
Floating Mort. Rate	10 year average = 8.5%	9.55	9.55	9.55	9.00	7.75
3 yr fixed hsg rate	10 year average = 8.2%	7.75	7.60	8.15	7.80	7.20

ECONOMIC FORECASTS

Forecasts at May 18 2006	**March Years**					**December Years**				
	2005	2006	2007	2008	2009	2004	2005	2006	2007	2008
GDP - annual average % change										
Private Consumption	5.8	3.9	1.4	0.4	1.1	6.5	4.6	1.7	0.5	0.8
Government Consumption	5.2	5.2	3.8	3.1	3.6	5.7	5.3	4.0	3.4	3.1
Investment	7.8	5.4	-1.2	1.4	3.6	13.2	4.3	-0.3	0.7	3.1
GNE	6.5	4.1	1.0	1.2	2.3	8.2	4.5	1.2	1.2	1.9
Exports	3.9	0.6	1.6	3.8	4.9	5.6	-0.3	1.2	3.4	4.6
Imports	13.7	4.9	0.1	2.2	3.3	16.6	6.4	-0.2	2.2	3.0
GDP	3.7	2.1	1.1	1.7	2.7	4.3	2.2	1.2	1.5	2.4
Inflation – Consumers Price Index	2.8	3.3	3.4	3.3	2.1	2.7	3.2	3.3	3.5	2.2
Employment	3.4	2.6	0.5	0.7	1.1	4.4	1.5	1.5	0.6	1.0
Unemployment Rate %	3.8	3.9	4.3	4.5	4.4	3.7	3.6	4.1	4.4	4.4
Wages	2.9	4.6	4.6	3.5	2.6	1.9	5.1	4.4	3.7	2.8
EXCHANGE RATE ASSUMPTIONS										
NZD/USD	0.73	0.64	0.59	0.57	0.59	0.71	0.70	0.60	0.56	0.59
USD/JPY	105	117	103	105	104	104	119	105	105	105
EUR/USD	1.32	1.20	1.23	1.23	1.21	1.34	1.19	1.24	1.22	1.23
NZD/AUD	0.93	0.87	0.80	0.81	0.84	0.93	0.94	0.80	0.80	0.83
NZD/GBP	0.38	0.36	0.33	0.32	0.34	0.37	0.40	0.33	0.32	0.34
NZD/EUR	0.55	0.53	0.48	0.46	0.49	0.53	0.59	0.48	0.46	0.48
NZD/YEN	76.8	74.6	60.8	59.9	61.6	74.2	82.7	63.0	58.8	61.8
TWI	70.7	65.6	58.9	57.7	62.1	69	71.9	59.7	56.9	62.1
Official Cash Rate	6.5	7.25	6.75	5.75	5.75	6.5	7.0	7.00	6.0	5.75
90 Day Bank Bill Rate	6.86	7.55	6.98	5.88	6.10	6.73	7.49	7.22	6.12	5.93
2 Year swap	6.82	7.0	6.18	6.04	6.18	6.61	7.24	6.33	6.02	6.15
10 Year Govt Bond	6.04	5.71	5.90	5.6	5.7	6.03	5.89	6.05	5.65	5.65

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.