Bank of New Zealand

BNZ Weekly Overview

17 May 2007

FINANCIAL MARKETS DATA

	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	7.75%	7.75	7.50	7.25	7.25	6.2
90-day bank bill	8.11%	8.08	8.00	7.78	7.49	6.4
10 year govt. bond	6.17%	6.13	6.12	5.92	5.82	6.5
1 year swap	8.25%	8.21	8.21	7.98	7.41	6.6
5 year swap	7.76%	7.70	7.87	7.45	6.85	7.0
NZD/USD	0.732	0.734	0.739	0.70	0.627	.567
NZD/AUD	0.888	0.883	0.888	0.889	0.815	.859
NZD/JPY	88.6	88.1	88.5	83.6	68.6	66.1
NZD/GBP	0.371	0.368	0.372	0.359	0.331	.342
NZD/EURO	0.541	0.543	0.546	0.533	0.487	.51

For addition to our emailing list for Thursday night receipt email "Subscribe WO" to tony.alexander@bnz.co.nz

2007 Budget released

This afternoon the finance minister Dr Cullen released his eighth budget. You can read details in all the media and there seems little point in repeating everything here especially as my whole afternoon was taken up sitting in a TV studio for three hours commenting on various aspects of the afternoon's events. So here are a few of the our conclusions regarding the budget.

First, it is stimulatory. Treasury calculate that the fiscal impulse being applied to the economy will amount to approximately 1.9% in the year to June 2008. This is up from their previous estimate of a 1% stimulus. This will be of some concern to the Reserve Bank. In addition we feel that Treasury are still making heroic assumptions about the rate of productivity growth in the New Zealand economy going forward. Over the past three years labour productivity growth in New Zealand has averaged 0.4% per annum and over the past 10 years has averaged 1.2% per annum. Treasury assume growth going forward will average 1.7% per annum. We think this is very unlikely even though business investment activity is quite strong.

In addition we think the labour market will prove stronger than they assume with ourselves expecting the unemployment rate to remain below 4% over the next two to three years while they see a rise back over 4%. This implies greater wages growth than they are assuming.

We can discuss some other factors here but what it adds up to is a continuing high chance that the Reserve Bank may need to raise interest rates again this cycle and that scope for any easing in interest rates still remains an extremely long way off.

With regard to some of the specific things in the budget there is a business tax package involving a cut in the company tax rate from 33% to 30%, tax credits for research and development, some market development assistance money and funding for extra industry training, and a tax exemption for active income earned by New Zealand-based companies with overseas operations. This is aimed at discouraging New Zealand companies from shifting their entire operations offshore.

The business tax package is a welcome development but one has to ask why it did not happen many years earlier. One can't help thinking that the Finance Minister has only begrudgingly delivered things which have been sought for a long time. At the margin the measures will take some pressure off companies to raise their prices and increase capital expenditure. But the package is not earth shattering and certainly does not signal to the rest of the world that the government is business-friendly as such and they should consider moving to New Zealand.

The second big part of today's budget was an enhancement to the Kiwisaver scheme. The government will match employee contributions into their accounts up to a maximum of $20 a week. The government will also give employees the ability to force their employers to contribute up to 4% of their income. In other words part of the Kiwisaver scheme has become compulsory but not for employees only for employers. The employer contributions will be tax deductible The government will compensate employers for these increased contributions but only up to a maximum of $20 a week and they estimate after two years the compulsory part will start costing businesses cash flow. This looks very much like a payroll tax and just as the Kiwisaver scheme has always been a skeleton upon which flesh will be placed in future years one suspects that under a future Labour government we could see extra employer compulsion introduced.

The Finance Minister has taken the bold step of suggesting that the compulsory employer contributions will encourage employees to exercise restraint in their wage negotiations. But it is very unlikely to happen because it is entirely at the employee discretion whether they force their employer to put the money in or not and if they say it should be done then employers have no choice but to do it.

The other big part of the budget was government funding of over $0.5b for electrification of the railway network in Auckland and extra work on the Wellington railway network. The government is going to allow regional authorities to levy a petrol tax up to 10 cents a litre to fund transport related infrastructure developments.

So there are definitely some positives out of the budget and it would be churlish to say otherwise. But there are also at least two tax increases being the compulsory superannuation contribution from employers and they new petrol levies local authorities may impose. But in addition the Finance Minister has scrapped previously planned small inflation adjustments to income-tax thresholds. This counts as a third tax increase!

The challenge now will be for the government to come up with something next year that delivers tax cuts. The problem there however is that the Finance Minister has already said in recent days he will in next year’s budget only discuss the conditions under which tax cuts might be possible. That is like the labels on bottles of pills which say they may relieve some of the symptoms associated with some illnesses. If next year’s budget contains actual big tax cuts then the chances are it will be a new Finance Minister reading it, and the Reserve Bank could tighten interest rates going into the late-2008 election.

You can get lots of extra information on the budget from the following website.
http://www.treasury.govt.nz/forecasts/befu/2007/

Higher Wages Growth Vital For Economic Improvement

During the week a top level unionist dragged out the old straw man that says us economists consider a tight labour market and high wages growth to be a bad thing. This is completely wrong – at least from our point of view. When the labour market is tight – as we saw in the Household Labour Force Survey last week – there are obvious implications. One is that businesses will find it hard to grow so they must undertake higher capital expenditure. This has been our strong message to the business community for eight years.

Another implication is that wages and salaries growth will likely be higher than when the labour market was loose and this will add to inflation and tend to generate higher interest rates and a higher exchange rate. This is basic stuff which comes without some subjective interpretation of whether such outcomes are good or bad. They are simply outcomes we try to explain to people.

But lets look at the issue of wages growth specifically. There is something we have written here on a number of occasions over the past two or three years which few people have picked up on. It is this. One of the best things that could happen in the New Zealand economy is if the average rate of growth in wages rises quite strongly. The reasoning goes like this.

Our economy is now short of resources (like Australia's and some others). What we want is for these resources to go to the industries generating highest profitability, productivity, wages etc. But how do we get such a shift? In particular, how do we pry people out of their existing workplaces which they have been in for 20 years and have built a comfortable, steady life around? They may be earning something like $25 an hour but there are companies with great products to produce who would gladly play $30 an hour once the employee's skills are up to good company-specific levels. Yet they can't seem to get these existing employees to shift.

If wages growth accelerates in an environment of high unemployment then this is bad for the economy as unemployment will rise. But if wages growth accelerates when the labour market is tight businesses with low productivity and profitability will close down as they would in a high unemployment environment, but their ex-employees will be snapped up by firms hungry for new staff. This is where we are at in New Zealand now and have been for perhaps five years.

The faster the rate of growth in wages these days given the tight labour market the faster the closure of inefficient businesses, and the faster the reallocation of low wage employees to higher wage and productivity positions. Along the way there will be pain and understandable moaning from the businesses closing down. But just as many of us would ascribe to tough love theories when it comes to youth problems so do is tough love needed to get our economy onto a higher profitability, productivity and standard of living footing.

Our comments will upset many businesspeople. But even when we state simple conclusions in black and white about what a tight labour means we still upset some people looking for media headlines. So what the heck. The more the merrier.

THE WEEK'S ECONOMIC DEVELOPMENTS

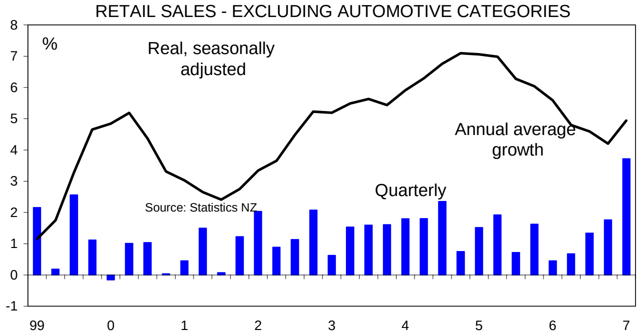
Friday 11

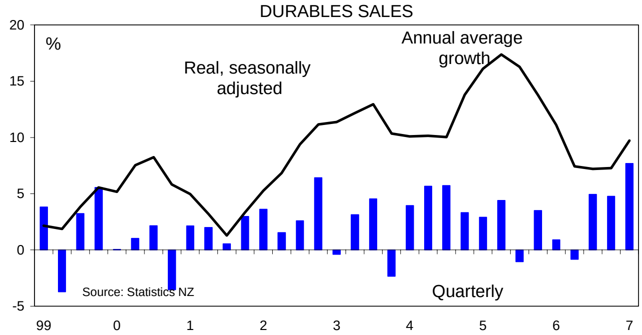
Dairy Farmer Pessimism Eases

The Rabobank/Neilsen Rural Confidence Survey revealed an improvement in farmer sentiment about the economy over the next 12 months to a net 21% pessimistic from 34% in the previous survey in February. The result reflects a jump in dairy farmer confidence on the back of soaring international dairy prices offsetting continuing woe amongst sheep and beef producers.

Consumer Spending Goes Ballistic

In real seasonally adjusted terms retail spending rose by an astonishing 3.8% in the March quarter with a very strong 1.3% rise in nominal seasonally adjusted sales in the month of March alone which followed on from the unusually strong 2.1% gain in February. Sales by store types traditionally selling durable goods jumped by 7.7% which is a record for this series with an increase of 17.4% registered from a year earlier. We tend to look at the durables goods indicator to get a rough feel for the solidity of the retail spending movement. If spending on durable goods is going up this tends to indicate that people are confident about their income whereas if spending on durable goods is weak and this indicates caution about the future. Therefore the massive 7.7% rise says people see very rosy times ahead. Total retail spending volumes were ahead by 7% from a year earlier which is the strongest annual rate of growth in this measure since September quarter 2004.





Along with the data in recent months showing a rebound in the housing market these numbers confirm a very strong leap in growth in the domestic part of the New Zealand economy. Factors likely to be contributing to this burst in consumer spending include the absence of any follow-through interest rate rises from the Reserve Bank last year, the very tight labour market which we have learnt produced another 25,000 jobs in the March quarter alone, and above average net migration inflows. http://www.stats.govt.nz

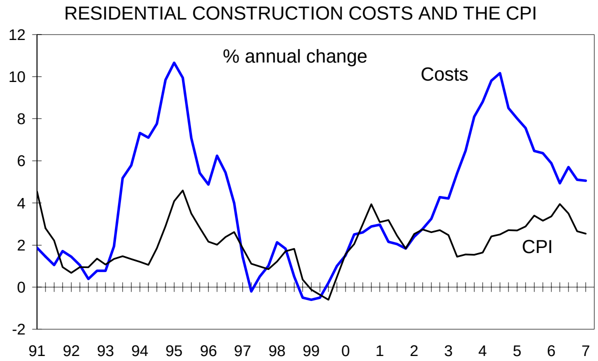
Consumer Confidence Down

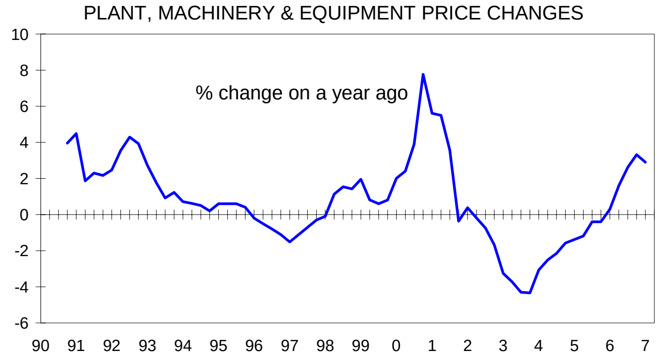
We don't maintain a database for this particular series but it is worth mentioning. The TV3 poll which attracted so much attention during the week for showing John Key surpassing Helen Clark as preferred PM revealed a decline in consumer confidence to a net 10% pessimistic from 10% optimistic in March. The result suggests we are likely to see some easing in retail spending growth soon but not a collapse. http://www.tns-global.co.nz

Tuesday 15

Construction Costs Still Rising

The Capital Goods Price Index measures changes in the cost of capital items like residential and non-residential buildings, transport equipment and so on. In the March quarter the overall index rose by 0.4% to sit 3.7% up from a year ago. Residential building costs rose by 1% in the quarter and 5.1% for the year to sit 40% up from just six years ago. Over the same period of time consumer price inflation has totalled just 16.2%. Non-residential construction costs have risen 5% in the past year and 31% from six years ago, transport equipment costs have fallen 0.5% in the past year and 5.4% from six years ago. Plant, machinery and equipment prices have risen 2.9% in the quarter and fallen 4.2% from six years ago. Note that the latter two groups are largely imported items whereas construction is of course a domestic thing. http://www.stats.govt.nz

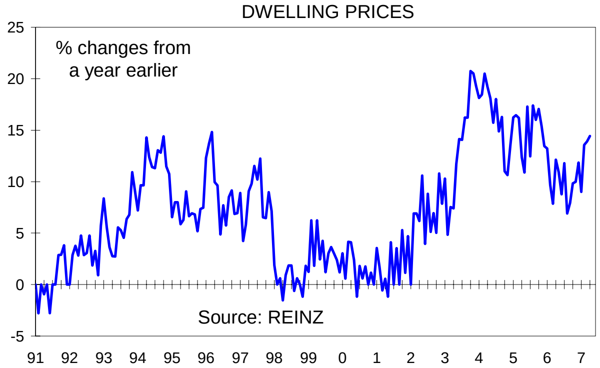


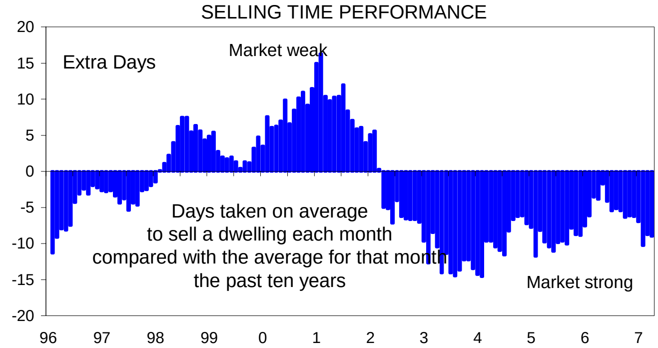


Wednesday 16

Housing Market Remains Buoyant

The REINZ reported that in April there were 8,194 dwellings sold around New Zealand. This was an increase from a year earlier of 8.2% and means that for the three months to April dwelling sales were ahead by 11.5% from a year earlier. In rough seasonally adjusted terms sales in the quarter were down almost 4% suggesting that we have passed the peak in what has been a reasonably frenzied period of housing activity. Prices are still rising however with the median dwelling sale price improving to $349,000 in April from $344,000 in March. This was an increase of 14.4% from a year earlier which was the strongest annual rate of house price inflation using this particular measure since November 2005. On an annualised basis prices have increased 16.6% in the past three months. This is way too fast for the Reserve Bank because it implies very strong feelings of rising wealth on the part of homeowners which will tend to feed through into higher borrowing and spending. This helps explain why the retail sales numbers for the March quarter were so exceptionally strong.





On average in April it took 28 days to sell a dwelling which was a six-day improvement from a year earlier. This was the same annual improvement as recorded in March but if we compare the 28 days with how long on average it has taken to sell a dwelling on April over the past 10 years the improvement is nine days compared with 8.8 days in March. The numbers therefore continue to suggest a shortage of listings around the country and that it would be reasonable to expect house prices will rise further in the near future.

INTEREST RATES

We had been thinking that there may be some downward pressure on wholesale fixed borrowing costs in the very near future. This was on the back of speculation about monetary policy easing in the United States later this year but also the markets generally backing away from expecting another tightening in monetary policy in New Zealand in the near future as we all wait to see what data show following the two recent official cash rate increases. But even though the data we have received over the past couple of weeks largely apply to the period before one would expect the interest rate increases to have an impact they are so strong they can't be ignored. For instance we are continuing to see strength in the labour market and housing market while retail spending went through the roof in the March quarter and the month of March. The numbers mean there remains a strong possibility the Reserve Bank will have to increase its official cash rate again - for all the good that will do in actually impacting on the domestic economy.

The Reserve Bank have now called in a psychologist to try and figure out what it is that makes us Kiwis so determined to spend money and not save it. How American. If the Reserve Bank had used the official cash rate more effectively over 2004 and 2005 we would not be in the current position whereby their actions are actively undermining the long-term growth prospects for New Zealand by discouraging investment in the exporting sector.

Will the coming Finance and Expenditure Select Committee examination of monetary policy result in any major change? http://www.parliament.nz/en-NZ/SC/SubmCalled/ We are unlikely to see the government decide to cut back on their fiscal policy stimulus to help the Reserve Bank, and a fixed interest rate levy has already been ruled out. Any move which will target the housing market directly will alienate a great number of voters ahead of the election - either the investors or the first time buyers. (It is notable that in the budget today the issue of declining home affordability was not addressed at all though just over an extra $14 million was allocated to the IRD to undertake more audits of housing investments.)

The select committee investigation is unlikely to produce any resolution of the situation and given that the Finance Minister has already said the current Reserve Bank Governor will be reappointed when his current five-year term expires in September we are unlikely to see a change in what has been a dovish period of monetary policy implementation in recent years.

Optimally what would one do if in a powerful enough position in order to get monetary policy once more making a positive contribution to New Zealand's long-term growth prospects? First, the uneven playing field which directs household investments towards residential property needs to be leveled. A capital gains tax on investment property is needed. Related to this one would take an experimental stab at incentivising saving through financial as opposed to property assets. (The Kiwisaver enhancements announced in today's Budget go some way in that direction.)

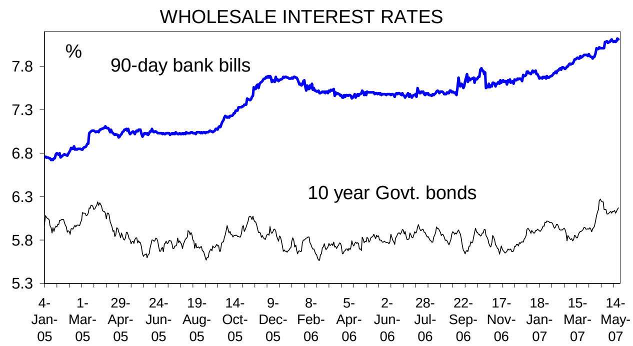
Second, one needs to address supply issues in the housing market through forcing local authorities to open up more land, greatly reduce consent processing times, direct infrastructure developments toward improving commuting conditions for new residential developments outside existing residential areas, and stop levying new developments for infrastructure which will be used by the whole community.

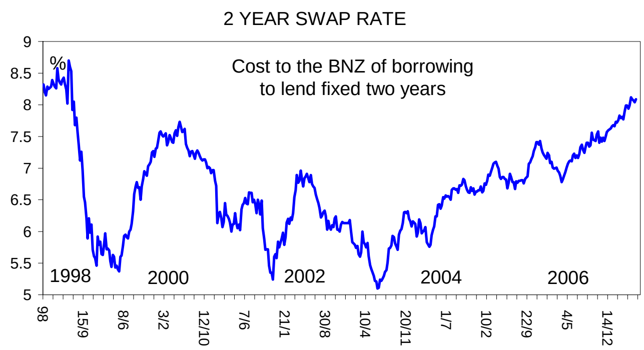
Third, one needs to give the Reserve Bank sufficient tools so that its policy changes will have a strong impact in a very short period of time and minimise upward pressure on the exchange rate. A fixed rate levy on all new fixed-rate mortgages could be tested.

Fourth, one could make administrative and/or personnel changes so that monetary policy was in the hands of those who would aim for inflation at 2% rather than only just below 3% and who would be prepared to act forcefully when conditions require it.

Fifth, one would redesign fiscal policy to increase incentives to work rather than reducing them. This would mean weakening the Working for Families structure and implementing cuts in marginal income-tax rates instead.

The budget today has had very little impact in the wholesale financial markets but because of the strong data released recently we have seen interest rates creep higher. 90 day bank bill yields are at 8.11% from 8.08% last week. The two year swap rate at which we banks borrow to lend fixed for two year periods has increased to 8.09% from 8.04%.





If I Were a Borrower What Would I Do?

First of all I would have no hope that we will be seeing below average interest rates again for a long period of time. However with United States monetary policy likely to be eased from later this year there may be some downward pressure on medium to long-term fixed interest rates. That means I would be averse to locking in for a term of three years or beyond at the moment. Fixing two years is a possibility and the majority of people appear to favour that term still. But I personally would be willing to take a bit of a punt and fix one-year looking to get a better but probably still short term fixed interest rate in a year's time.

BNZ Fixed Lending Interest Rates

Housing		Average Past 5 yrs	Low Past	High 5 years
Float	10.05%	8.34%	6.70%	10.05%
1 yr	9.00	7.45	6.20	9.00
2	8.79	7.41	5.99	8.79
3	8.80	7.56	6.30	8.80
4	8.70	7.63	6.40	8.70
5	8.60	7.63	6.50	8.60
7	8.60	7.77	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	6.90	6.95	7.00
1 yr	7.40	7.45	7.50
5 yr	7.40	7.45	7.50

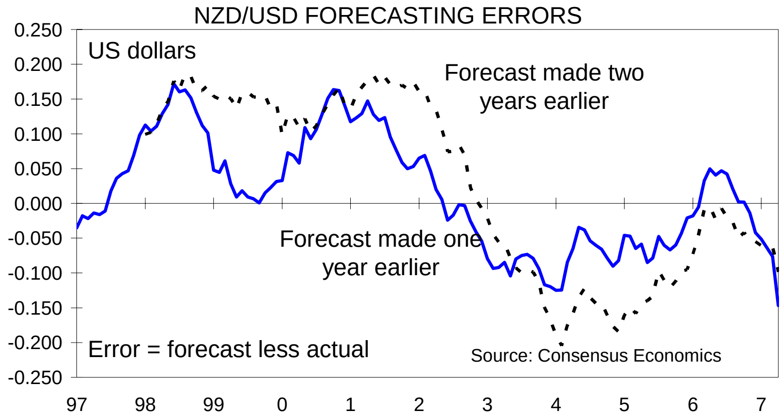
HOUSING MARKET UPDATE

This weeks REINZ numbers have already been examined above and we've written screeds in this section in recent weeks. Plus with the Budget today something had to be cutback and this is it.

EXCHANGE RATES

During the week we took a call from someone wanting to know which currency they should shift their NZDs into so they could gain most benefit when the NZD eventually falls. The first thing we said was that it is impossible to forecast exchange rates accurately (we economists prove this year in and year out) so while we believe one day the NZD will fall sharply we can only make assumptions about when and not forecasts as such. We currently assume some depreciation next year knowing that the chances are the actual outcome will be different from what we assume.

The graph below uses data on actual exchange rate outcomes and predictions one and two years ahead gathered in the monthly Consensus Economics survey of NZ economists. The lines show the forecast errors with the horizontal axis line in the middle showing zero error. One can see that since 1996 the year ahead currency forecast on average made by us NZ economists has been correct seven times while the two year ahead forecast has been correct once.



Out of the 111 survey periods our dataset covers the year ahead direction of change (currency up or down) was picked correctly 64 times. This is a success rate of 58%.

One should also note that because we have little idea when the big downward adjustment will occur the way all of us tend to develop our exchange rate assumptions is to look 3-5 years out. By then we expect long term factors like the high current account deficit, relatively poor productivity and economic growth rates versus other countries, plus eventually easing monetary policy and redemptions of Uridashi and euro-Kiwi bond issues will all have come into play.

Taking that assumed low exchange rate 3-5 years out as the end point we draw a straight line between then where we are now and voila – one's forecast track is developed.

But taking into account the fact we don't know when the big decline will come, can we still take a stab at the currency we will fall most against? Yes. First, if the NZD is falling it is probably going to be because of a range of factors including worries about high deficit countries. That means we will fall further against surplus and low deficit countries than high deficit ones. The US has a high deficit, Australia less so, Europe less so, and Japan a surplus. This says the chances are we fall most against the Japanese yen and least against the USD and AUD.

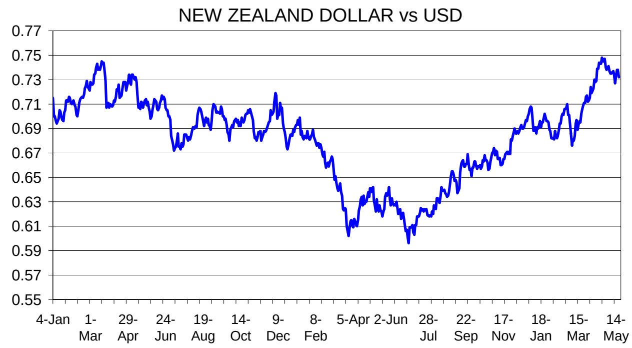
But, the main measure of a currency is how it fares against the greenback so if we are seeing selling of the NZD generally then the chances are we will fall more against the USD than the AUD. In addition there is a rough tendency for the NZD and AUD to move in the same direction (within a rough range of 75-95 cents) so assuming less depreciation against the AUD than the USD when the fan gets struck seems reasonable.

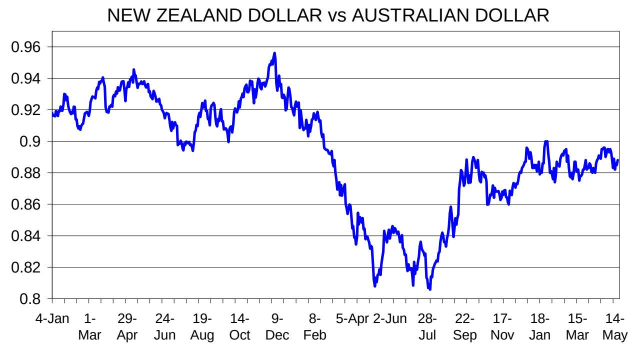
In addition, the eventual unwinding of the carry trade and maturing Uridashi bonds suggests outright buying of Yen and selling of the NZD. Again extra weakness against the Yen seems likely.

Then there is the theory that exchange rate movements will eventually reflect interest rate differentials – the interest rate parity theory. Given that there is a greater gap between NZ interest rates and those in Japan than with other economies we again are likely to fall most against the yen and least against the AUD.

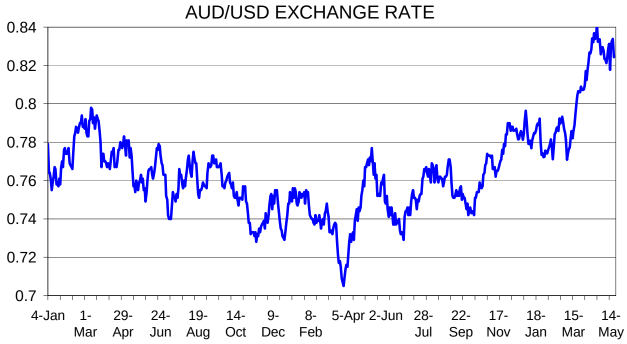
We could go on but it seems to add up to high scope for the NZD to fall more against the Yen than other currencies when the fall eventually comes along. The problem here however is that if you put a position in place to take advantage of this then you will be sacrificing a lot waiting for it to happen. By giving up NZ interest rates and receiving Japanese interest rates you'll lose a lot of income. In contrast if one sells NZD and opens an account denominated in USDs, pounds, AUDs or Euro the interest rate give-up will be less.

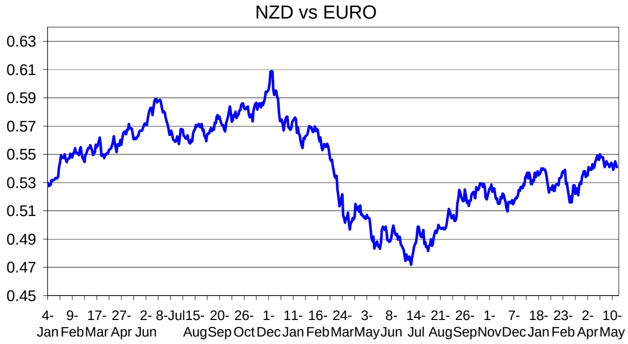
What this means is the following. If you think the NZD could fall any time but realistically consider it likely to happen later rather than sooner you hedge your bets by switching from NZD into USDs, GDP, AUD or Euros. If however you feel NZD rapture day is imminent then you buy yen. Good luck because taking an FX position on the basis of an expected exchange rate change is a high risk strategy which one day will pay off but along the way could cause a lot of heartbreak.

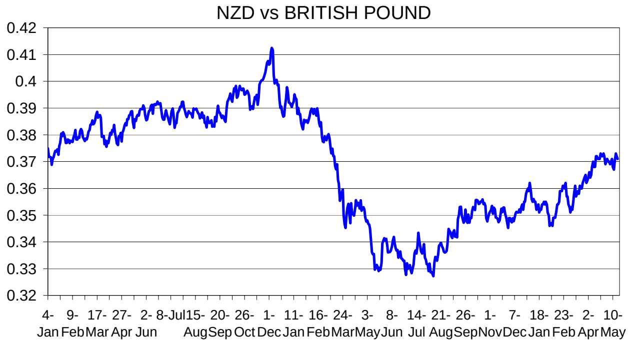


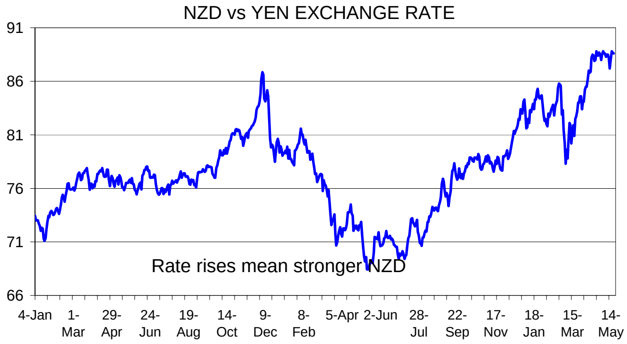


The Kiwi dollar has ended this evening practically unchanged from a week ago against the greenback near 73.3 cents. Against the Australian currency we are however marginally stronger year 88.8 cents from 88.3 cents a week ago. The Aussie dollar received some support during the week on the back of news that consumer confidence had jumped to its highest level in 32 years on the back of the Federal budget. But yesterday some weaker than expected wages data were released and the markets have backed off expecting any extra tightening of Australian monetary policy for the time being. The Aussie dollar has fallen against the greenback over the week to end near 82.4 cents from 83.1 cents.



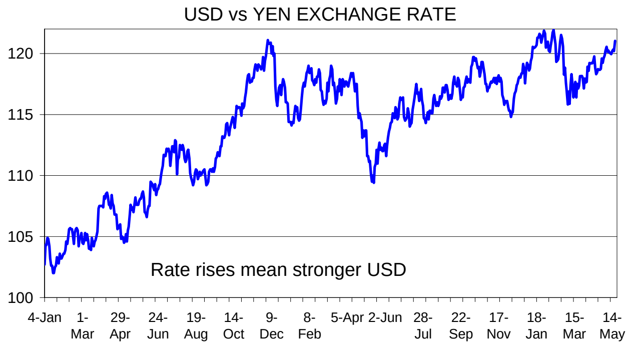


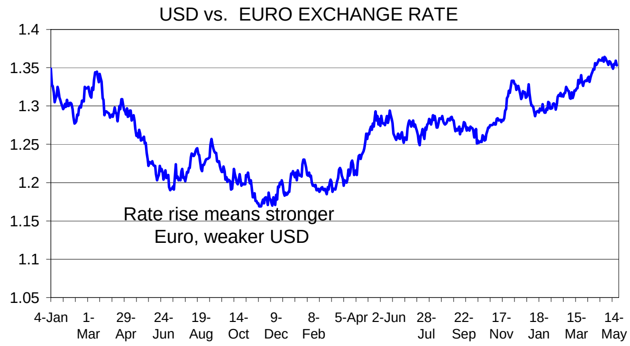


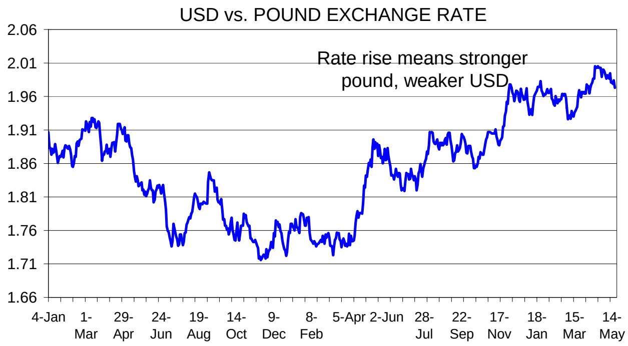


Against the euro we have ended the week practically unchanged near 54.2 cents, against the Japanese yen slightly stronger at 88.6 from 88.1, and against the British pound also slightly firmer at 87.1 pence from 36.8 pence.

Some appreciation in the Japanese yen was generated last night after the Japanese Trade Minister said that interest rates need to increase to a level that will dilute the effects of the yen carry trade. In addition there were rumours that the People's Bank of China may diversify their foreign exchange reserves out of the euro into Japanese yen. Understandably this generated some weakness in the European currency.







However the euro has been supported over the week by some reasonably firm economic data showing for instance that their economy grew at an annualised rate near 3.1% in the March quarter compared with the 1.3% growth in the United States economy.

The Japanese yen has ended the week however weaker against the greenback near 121 from 120 while the euro is unchanged near $1.352, and against the pound the greenback has firmed to $1.973 from $1.994 last week. The pound was sold off after the Bank of England issued an inflation report which was more dovish than expected. This has caused a reduction in market expectations of another tightening in the Bank of England's monetary policy.

The greenback itself has been boosted over the week on the back of better than expected data for industrial production and capacity utilisation. But there were also some weaker numbers including a tame consumers price index report and some weak retail sales numbers of April. This pattern of positive numbers and negative numbers has been consistent for quite some time now so it is probably best to interpret the fluctuations in the greenback as being of generally directionless nature for the moment.

As a final note this week, for those people expecting to see maturing Uridashi bonds place downward pressure on the NZD it should be noted that such maturities in May add up to $1,157m. But issuance so far is at $1,276m so the net result is a boost for the NZD.

Data Sources

Interest rates & exchange rates RBNZ at	http://www.rbnz.govt.nz/statistics/
Housing fixed interest rates – our data from 1991 email	tony.alexander@bnz.co.nz
House mortgage data – RBNZ	http://www.rbnz.govt.nz/statistics/monfin/rbssr/rbssrpartE/data.html
House price information - REINZ	http://www.reinz.org.nz/reinz/public/market-information/market-information_home.cfm
NZ economic data, most from Statistics NZ	http://www.stats.govt.nz
Government accounts, NZ Treasury at	http://www.treasury.govt.nz/financialstatements/
Australian data	http://www.abs.gov.au/ and http://www.rba.gov.au/
European data	http://epp.eurostat.ec.europa.eu
United States data	http://www.economagic.com/
Parliament, select committees, publications etc.	http://www.parliament.nz/en-nz

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	0.5%	-0.2	2.5	3.4	2.7
GDP growth	Average past 10 years = 3.0%	0.8	0.3	1.5	2.2	4.5
Unemployment rate	Average past 10 years = 5.3%	3.8	3.7	......	3.9	3.8
Jobs growth	Average past 10 years = 1.9%	1.2	0.1	1.7	0.9	-0.1
Current a/c deficit	Average past 10 years = 5.5% of GDP	9.0	9.2	......	9.0	6.6
Terms of Trade		2.4	-2.2	3.7	-1.9	4.4
Wages Growth	Stats NZ experimental series	1.3	1.4	4.9	5.3	4.9
Retail Sales ex-auto	Average past 9 years = 3.8%.	3.7	1.8	4.9	5.6	7.1
House Prices	Long term average rise 5% p.a.	2.5	0.9	10.1	14.0	16.4
Net migration gain	Av. gain past 10 years = 10,400	+12,090	13,160yr	......	9,746	10,013
Tourist - yr ago grth	10 year average growth = 5.0%. Stats NZ	3.2	5.4	2.8	-0.4	10.4
		Latest year rate	Prev mth year rate	6 mths ago	Year ago	2 yrs ago
Consumer conf.	10 year average = 2%. Colmar survey	-4	-2	-10	-34	-17
Business activity exps	10 year average = 26%. NBNZ	24.1	25.7	15	5.2	29.9
Household debt	10 year average growth = 11.3%. RBNZ	13.6	13.5	13.3	14.6	15.2
Dwelling sales	10 year average growth = 3.5%. REINZ	8.2	8.9	4.0	-14.6	-7.5
Floating Mort. Rate	10 year average = 8.1%	10.05	9.80	9.55	9.55	9.00
3 yr fixed hsg rate	10 year average = 7.9%	8.80	8.50	7.89	7.60	7.80

ECONOMIC FORECASTS

Forecasts at May 2 2007	**March Years**					**December Years**				
Updates next week	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
GDP - annual average % change										
Private Consumption	5.2	4.3	1.7	2.3	0.5	4.7	2	2.6	0.6	1.3
Government Consumption	4.6	4.7	4.1	3.3	3.9	4.1	4.2	3.5	3.8	3.2
Investment	6.7	4.1	-4.8	6.3	6.2	3.3	-3.4	3.7	6.7	5.3
GNE	5.7	3.9	0.4	4	2.7	4	0.4	3.9	2.8	2.7
Exports	4.5	-0.3	3.2	2.4	4.2	-0.6	2	2.6	3.9	4.9
Imports	12.4	4.1	-2	5	4.6	5.5	-2.5	4.4	4.7	4.6
GDP	3.9	2	1.7	2.7	2.4	2.2	1.5	2.6	2.4	2.7
Inflation – Consumers Price Index	2.8	3.3	2.5	3.2	3.2	3.2	2.6	2.9	3.2	2.7
Employment	3.4	2.6	0.8	1.7	1.5	1.6	1.4	1.9	1.4	1.5
Unemployment Rate %	3.8	3.9	3.8	3.9	4.1	3.6	3.7	3.8	4.1	4.4
Wages	2.9	4.6	5.7	5.6	3.9	5.1	5.5	5.6	4.2	2.8
EXCHANGE RATE ASSUMPTIONS										
NZD/USD	0.73	0.64	0.7	0.66	0.58	0.7	0.69	0.68	0.59	0.57
USD/JPY	105	117	117	110	111	119	117	112	110	109
EUR/USD	1.32	1.2	1.32	1.35	1.26	1.19	1.32	1.35	1.28	1.23
NZD/AUD	0.93	0.87	0.88	0.85	0.76	0.94	0.88	0.85	0.77	0.76
NZD/GBP	0.38	0.36	0.36	0.34	0.31	0.4	0.35	0.35	0.31	0.31
NZD/EUR	0.55	0.53	0.53	0.49	0.46	0.59	0.52	0.5	0.46	0.47
NZD/YEN	76.8	74.6	81.9	72.6	63.8	82.7	81	76.2	64.9	62.3
TWI	70.7	65.6	68.6	64	57.4	71.9	68	65.8	58.4	57.3
Official Cash Rate	6.56	7.25	7.50	7.75	6.75	7.00	7.25	7.75	7	6
90 Day Bank Bill Rate	6.86	7.55	7.88	7.94	6.96	7.49	7.64	7.97	7.19	6.25
2 Year swap	6.82	6.99	7.84	7.22	6.6	7.24	7.48	7.53	6.71	6.45
10 Year Govt Bond	6.04	5.71	6	6	5.6	6.03	5.89	5.77	6.05	5.7

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.