BNZ Weekly Overview

23 April 2009

Mission Statement

To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy and its implications in a language they can understand.

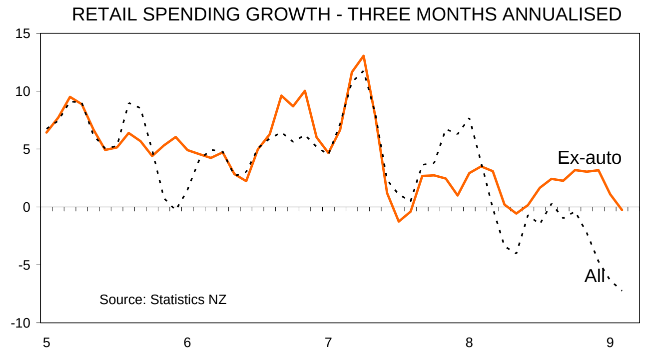
In this week's issue….

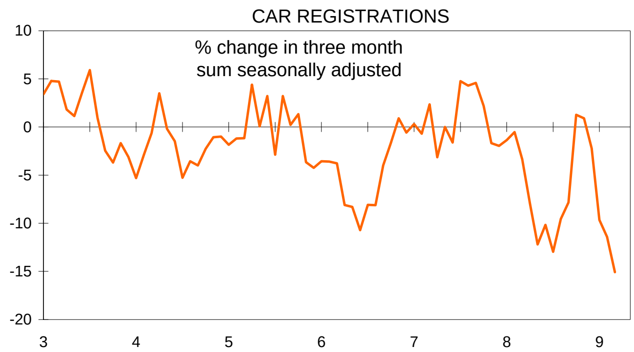
The Weekly Overview is written by Tony Alexander. The views expressed are my own and do not purport to represent the views of the BNZ. To receive the Weekly Overview each Thursday night email me at tony.alexander@bnz.co.nz with 'Subscribe" in the Subject line.

Still Shrinking

Lets have a run-through of some of the most recently released data in New Zealand to see if any obvious trends are appearing divergent from our central view – that view being we are still shrinking overall. The most important area to start is household spending and there the picture is weak. Retail spending is going nowhere with the annualised rate of growth in nominal spending excluding motor vehicle related areas at -0.3% in the three months to February. Including cars etc. the growth rate is -7.2% reflecting the impact of still falling vehicle sales and lower petrol prices.

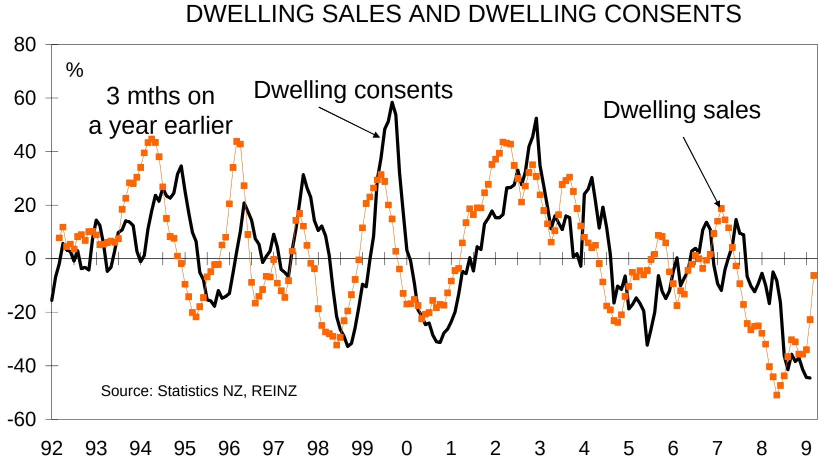
We can explicitly see weakness in vehicle spending in car registrations which in March were down 33% from a year ago and in the March quarter off about 15% seasonally adjusted from the December quarter. No life there.



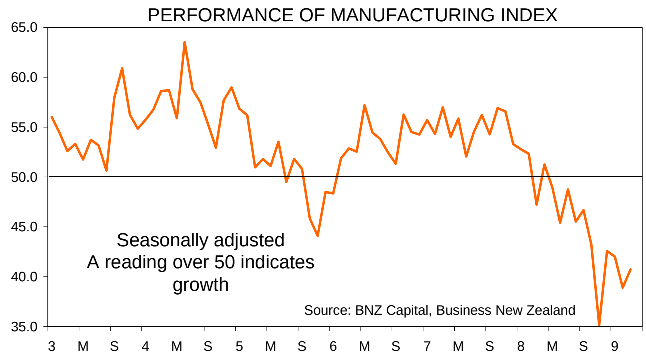


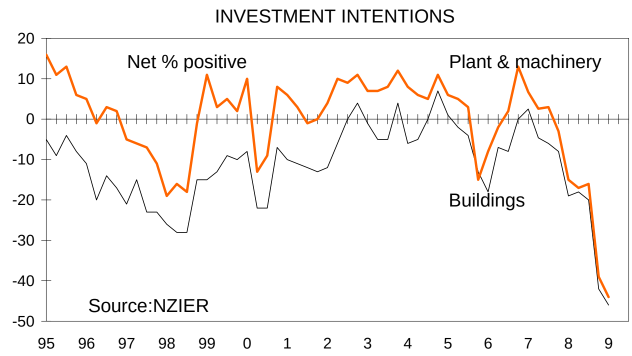
The housing market in terms of construction is in its worst shape for perhaps half a century and one of the weakest sectors in the economy currently – in other words it's a great time to get an addition done if you have the cash. The number of dwelling consents issued in the three months to March was down 44% from a year ago and 17% seasonally adjusted from the November quarter. Annualised consent numbers are running near 12,500 from just over 25,000 on average for the past decade.

But in terms of real estate activity things have improved with sales in March ahead 31% from a year ago and prices changing little in recent months. Consent issuance tends to follow sales activity so some improvement in consent numbers is likely in a few months. But in our export-dependent economy sustainable upturns are not housing led but export led, and we don't think housing is actually turning up. It is more the case that it has almost stopped falling with assistance from some quite strong fundamentals such as low financing costs, accelerating population growth, and growing awareness of the existing and worsening housing shortage.



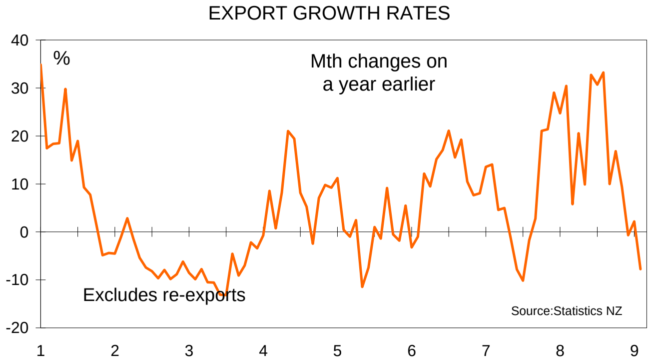
In the manufacturing sector activity remains very weak with the BNZ Capital Business NZ Performance Index remaining well below the 50 neutral level in March at 40.7.

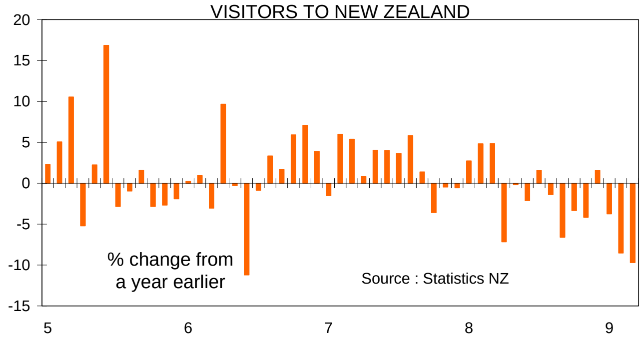




Business capital expenditure is also well in the doldrums with a record net 44% of respondents in the March quarter NZIER survey saying they intend reducing spending on plant, machinery and equipment. Registrations of commercial motor vehicles in the three months to March were down 48% from a year ago and 22% seasonally adjusted from the December quarter. The value of imports of plant and machinery was ahead 8% in the three months to February from a year ago. But allowing for a near 20% fall in the NZ dollar this translates to a continuing volume reduction.

Exports are not doing well. Excluding re-exports the value of receipts in February was down 7.7% from a year earlier and for the three months to February the change from a year ago was -2.3%. Given one would expect export receipts to naturally be boosted by the near 20% fall in the exchange rate over the past year the result shows strong shrinkage in the export sector – before we even look at tourism. Visitor numbers were down 7.4% from a year ago in the three months to March.



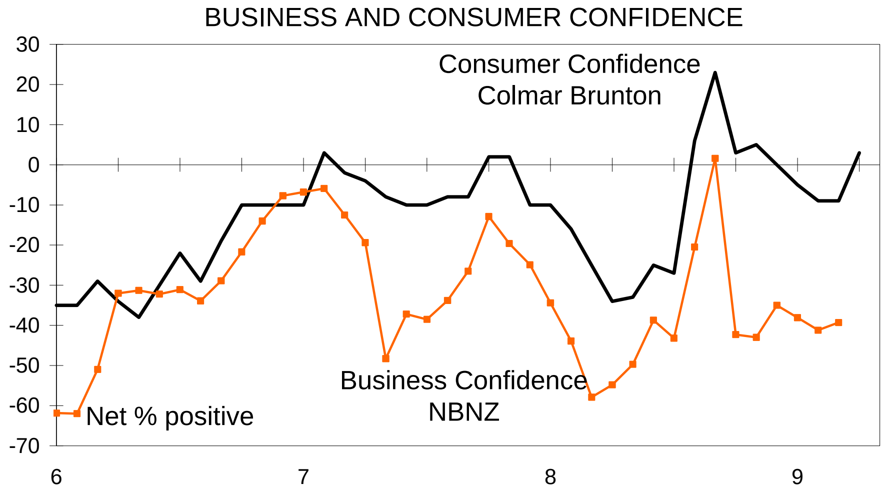


The value of consents issued for the construction of non-residential buildings is still rising – ahead 12.3% in the three months to February from a year earlier. But the view of many in the sector is that many of these consents are being processed just for the sake of completing a long running process and many may not be acted on for quite some time.

So retailing is shrinking, business capital spending falling, manufacturing diminishing, exports retreating, residential construction plummeting….and so on. No upturn in other words. The recession continues and prospects for growth later on this year remain highly dependent upon developments offshore which as the past couple of years show can quickly turn out widely different from common expectations.

In this still very weak and highly uncertain environment the need for massive cash flow attention remains. And we feel the need to keep repeating this warning because us Kiwis are quite strange. At the same time two years ago as we were complaining about high interest rates on our business funding, in the evening at home we would look at housing rates and say they seem okay given the housing shortage and rising prices. So we keep borrowing as householders and mucking it up for ourselves as businesspeople. We don't have a high interest rate environment at the moment but the same split exists.

During the day when answering business surveys we say we intend slashing our workforces and capital spending, expect plummeting sales, and feel really pessimistic. In the evening we smile to ourselves because we can get a one year fixed rate below 5.5%, the Reserve Bank is going to cut rates further, and the housing market is showing some signs of life. Check out the contrasting stories told by the two surveys in the following graph.

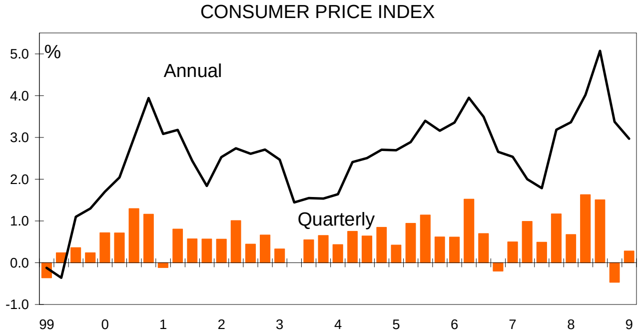


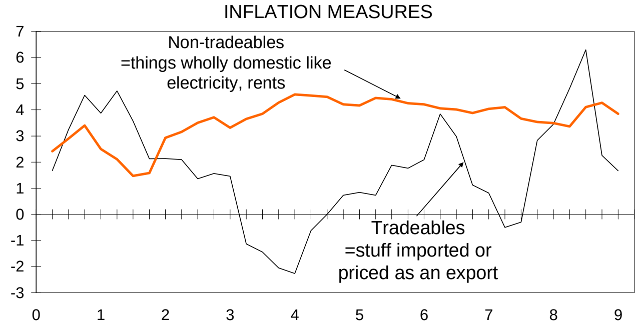
At a time when the world economy is shrinking at its fastest pace in decades, the unemployed offshore are rioting in the streets, those facing unemployment are kidnapping their bosses in France (55% of French think this is acceptable behaviour!), our economy will not recover until things improve substantially overseas.

NZ ECONOMIC DEVELOPMENTS

Friday 17
Inflation Falls To 3%

The annual rate of inflation in New Zealand fell to 3% in the March quarter from 3.4% over calendar 2008 and 3.4% also a year earlier. This is the first time inflation has been back within the Reserve Bank's 1-3% target zone since September 2007 and achieving it has required initially pushing NZ's cash rate extremely slowly to 8.25% plus the worst global recession since maybe the Great Depression. That has to be a cause for concern regarding interest rates a few years down the track when the current weak demand period turns to firm growth one day and the current freeing up of labour, property, and machinery capacity comes to an end.



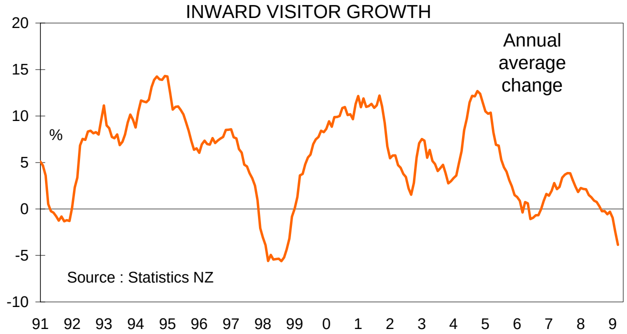


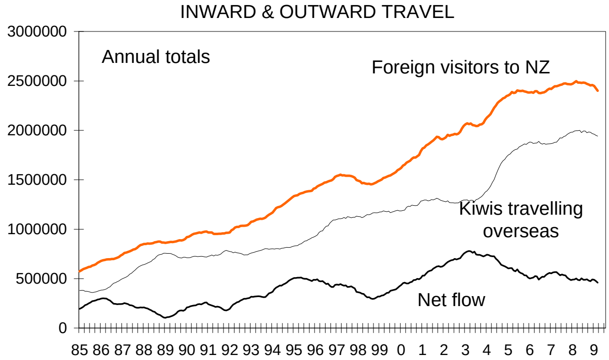
Moreover, the inflation measure the Reserve Bank concentrates on, non-tradeables, which include things like housing, utilities costs etc., remains worryingly strong considering the domestic economy's weakness. The non-tradeables inflation rate was 3.8% in the March quarter with a gain of 0.7% for the three month period. This is down from 0.8% over the December quarter. But it is equal to an annualised rate of 2.8% which is not what one would expect to see given the state of the economy.

But for now inflation pressures overall are obviously quite muted and over the March quarter prices on average rose only 0.3% after falling 0.5% during the December quarter. The rise in the March quarter was entirely due to a 1.2% gain in food prices while the December quarter fall reflected reduced fuel prices.

Tuesday 21
International Tourism Falling Away

The number of visitors to New Zealand in March was down by a rather large 9.7% from a year ago taking the March quarter decline to 7.4% from a year earlier. There was a downward bias to the March month result however due to March falling exceptionally early last year – but still numbers are falling away rapidly and we remain of the opinion that a 15% fall this year is quite likely. Hard economic times and a lower NZ dollar are contributing to fewer Kiwis travelling overseas as well. In March outward flows were down 6% from a year ago and 7.2% for the quarter from a year earlier.



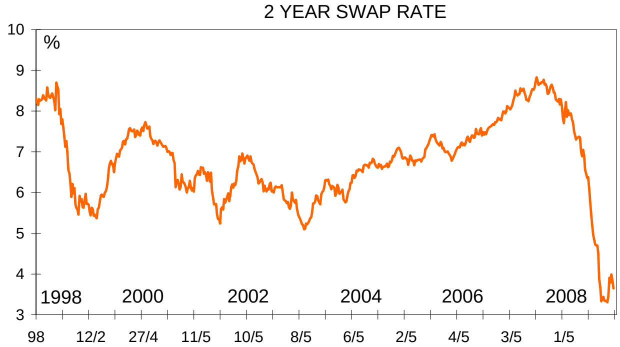


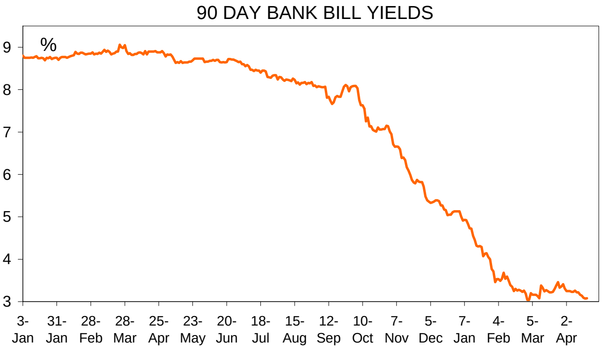
INTEREST RATES

Wholesale interest rates have fallen again this week with impetus from the downbeat OECD report on New Zealand and further easing of the earlier rush by borrowers to lock in fixed rates. The two year swap rate has ended today near 3.65% from 3.84% last week and 3.91% four weeks ago, but it is still above the 3.31% low of six weeks ago and not expected to fall back to that level.

The five year swap rate has eased to near 4.78% from 5.03% last week and 5.12% four weeks ago. But it also is well up from its level six weeks ago of 4.22%, and the record low of 3.9% late in January.

Our expectation is that these rates will pull back slightly further as the market adjusts to our expectation of a 2% low for the cash rate this cycle rather than the 2.5% largely factored into current market rates. However we still think the lows have been seen for the long term fixed rates – which does not mean they are unattractive however. After all, at 4.78% the five year swap rate upon which margins are added to get business five year fixed rates is still over 2% below the average for the past five years.





The RB review their cash rate next Thursday morning and we expect a reduction to 2.5% from the current 3%. The 90-day bank bill has ended this week near 3.08% from 3.22% last week. Apart from two days of rates at 3.04% early in March this is the lowest yield on record.

Key Forecasts

- Monetary policy easing with the official cash rate at 2.0% come mid 2009.
- Medium to long term housing rates have seen their multi-year lows – stop-start rises now lie ahead. Speed unclear.

FINANCIAL MARKETS DATA	This week	Week ago	4 wks ago	3 months ago	Yr ago	10 yr average
Official Cash Rate	3.00%	3.00	3.00	5.00	8.25	6.2
90-day bank bill	3.08%	3.16	3.23	4.13	8.91	6.5
10 year govt. bond	5.10%	5.26	4.74	4.29	6.48	6.2
1 year swap	3.13%	3.13	3.41	3.53	8.72	6.7
5 year swap	4.78%	5.03	5.12	4.15	7.82	7.0

If I Were a Borrower What Would I Do?

This week an emailer asked the following. Our response follows.

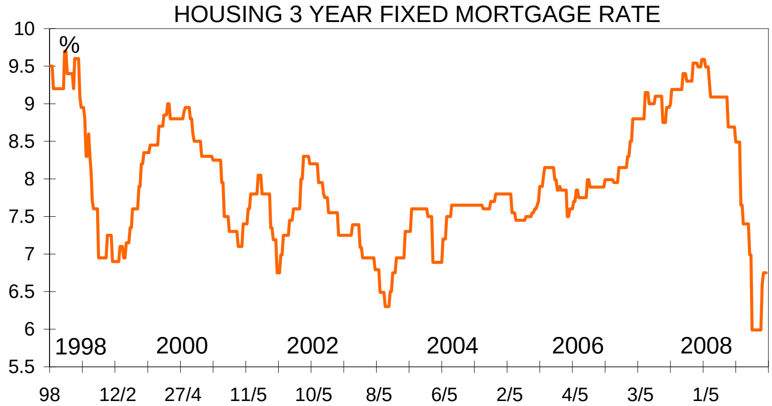
"I have revisited your newsletters of (a year ago) and you were advising to fix only for 1 year due to the uncertain nature of the economy. Unfortunately I chose to fix for 3 years at a rate of 9.05%, admittedly this was somewhat against the advise of my banker who was advising 1-2 years. My reason for doing so was that I wasn't sure when the upward trend would stop and I also was expecting the arrival of my 3rd child in

September so wanted some certainty around outgoings" He got on to asking whether he should break the three year 9.05% rate he locked into a year ago.

The cost to break will be set off the current two year fixed rate (two years left of your three years to go). So first, will you do better breaking then fixing one year and floating as I think is possible versus just fixing two years for a new borrower at the moment? Yes, but you sacrifice rate certainty which you valued so much last year. The loss of this certainty versus gambling that fixing one year at 5.49% then floating one year after that or fixing again will give an overall rate better than the current two year 6.25% seems risky. If the one year rate a year from now is, lets say, 6.5% from 5.49% currently, you will have a two year cost averaging 6%. That is minimal gain over the two year 6.25% which means breaking to take that strategy makes little sense.

What about breaking to fix longer? Lets say your desire for security so valued last year means you lock in at five years for 7.5%. For the first two years you are 1.25% p.a. worse off than not breaking. For the three years after you are still paying 7.5% and to be better off than not breaking then locking in another three years two years from now that three year rate in two years time would need to be higher than just under 8.5%.

Do I think the three year rate will be above 8.5% in two years time? That is possible given a global recovery scenario with inflation risk and the history of the three year rate shown here. A rate grossly over 8.5% is not likely however the graph suggests. So if you break and fix five years, you will probably come out just slightly better than not breaking then resetting three years in two years time.



It is not worth it in my opinion. If I were you I would stay with what I have now. Your only real risk is if global inflation surges in 2-3 years and that is not highly likely in my opinion. You fixed because you valued security. I would remember that.

If I were borrowing at the moment what would I do then? Margins have just increased for bank home loans. But they got compressed to a serious extent the data do not show in earlier weeks because mortgages were being written at fixed rates but when it came time to cover those rates through banks doing fixed rate borrowing the cost had shot up. So this suggests if we do see any cuts in fixed rates in the near future they are likely to be quite limited. If I were a punter I might wait for such a round of small cuts and fix in the 3-5 year area. But as a conservative type at the moment I would probably fix three years at 6.75%.

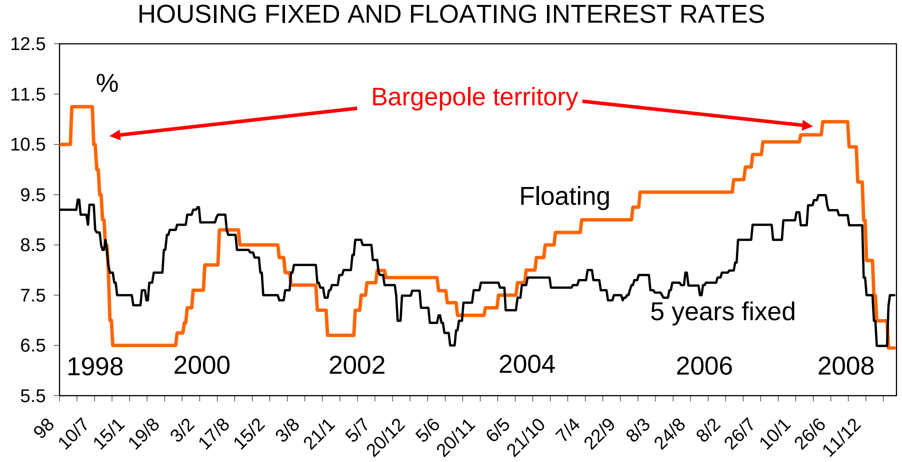
Why Did You Fix Five Years At 9.49% A Year Ago?

As the emailer above noted, a year ago we were suggesting in light of the strong prospects for falling interest rates borrowers should favour the one year fixed rate. So why did so many people fix long term last year so they now find themselves in the position of trying to break out of the contracts they and banks signed in good faith a year ago? It would have been one of at least three reasons.

1. You thought interest rates would go higher.

2. You simply wanted rate certainty so you could concentrate on other aspects of your finances and/or life.
3. You wanted to make immediate cash flow savings by avoiding the floating rate of 10.95%.

And/or four, you felt that surely this time you would not get caught as you may have been back in 1998 – a period we have referred to many times here and in other forums over the past decade as a trap the unwary need to watch out for. Back then people were jumping into five year fixed housing rates at up to 9.3% to avoid the floating rate at 11.25%. Within six months that five year rate was down at 7.5% and the floating rate 6.5%.



It took a few minutes of digging around because the Weekly Overview did not appear until late 2000, but in a column prepared each month for mortgage brokers we wrote the following in early April 1998.

"Our outlook implies that one would be rash locking into a long term fixed interest rate at the moment. We fully expect much lower rates in 3-6 months time, and potentially very low fixed rates in 12 months. This is partly because we expect falling house prices to place strong downward pressure on the inflation rate.

So what should a borrower do at the moment? First, I personally would not touch a two year plus term with a bargepole given the outlook for inflation and interest rates. If I took a one year rate this would mature when rates are expected to be near their cyclical lows in the middle of 1999. But the one year rate is very high currently, yet so too is the floating rate. Maybe this is why some banks are introducing six month fixed rate deals……

Now is not a time to panic and lock in fixed rates near the peaks in their cycles, although one must recognise many people will sleep a lot easier if they know their borrowing cost can't rise any further in the near future."

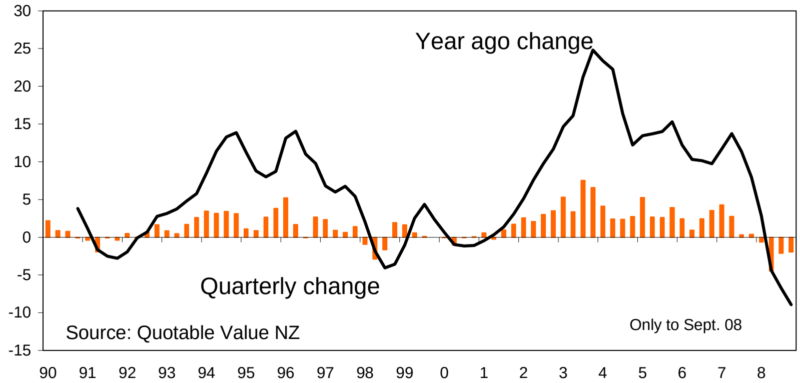
Same old, same old. Watch out for 2018 then.

HOUSING MARKET UPDATE

House Prices Down Almost 9% So Far

This week Quotable Value NZ released the only truly definitive measure of house price changes in New Zealand in their quarterly indexes. They show that during the December quarter of last year average house prices in new Zealand declined by 2.0%. This was just less than the 2.1% decline during the September quarter and the 4.5% fall during the June quarter. It means that compared with the peak in the house price cycle a year earlier average NZ house prices have declined by 8.9%. Over the same period of time they have declined 18.6% in the United States and approximately 18% in the United Kingdom.

HOUSE PRICE INFLATION



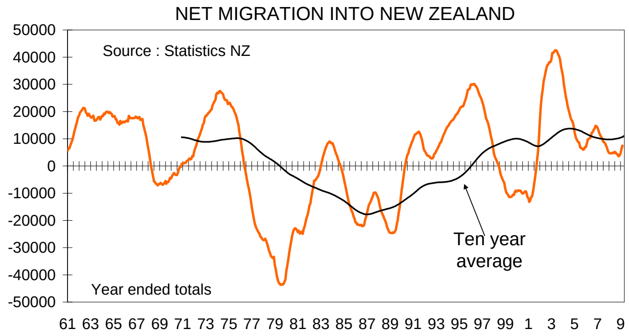
Note that during the December quarter while house prices officially fell 2% the REINZ median dwelling price measure actually rose by 0.2%. But over the September quarter the REINZ measure fell 2.9% versus the official decline of 2.1%. The REINZ measure for the December quarter compared with a year ago was down just 4.3% versus the official 8.9% fall so it is understating the true extent of house price declines to a small degree.

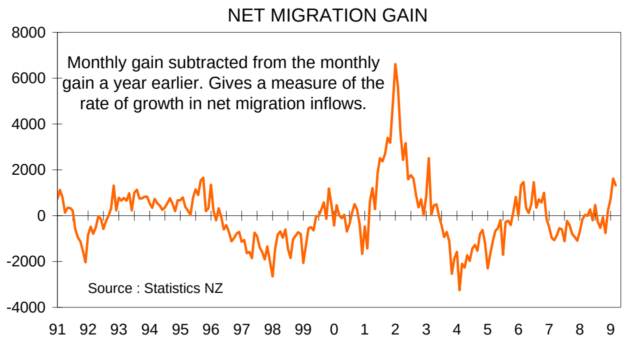
The decline in prices now puts them back to where they were late in 2006. Compared with a year ago the biggest declines occurred in Kawerau 29.3%, Kaipara 18.3%, Masterton 14.9%, and Whangarei 12.7%. The biggest gains were in Wairoa 35%, Mackenzie 16.8%, Southland 8.7%, and Buller 5.3%. In the main centres Auckland area was down 10% with Auckland City off 10.7%, Hamilton 9.8%, Wellington 8.7%, Nelson 7.0%, Christchurch 8.7%, and Dunedin 7.7%. No big divergences in other words.

Looking at things going forward we still think there is scope for house prices to edge down a tad further. As we have strongly noted for some time now there are many supporting forces such as a housing shortage, collapsing construction, low interest rates and accelerating population growth. But there is also the fact the economy remains in recession with the unemployment rate set to rise firmly.

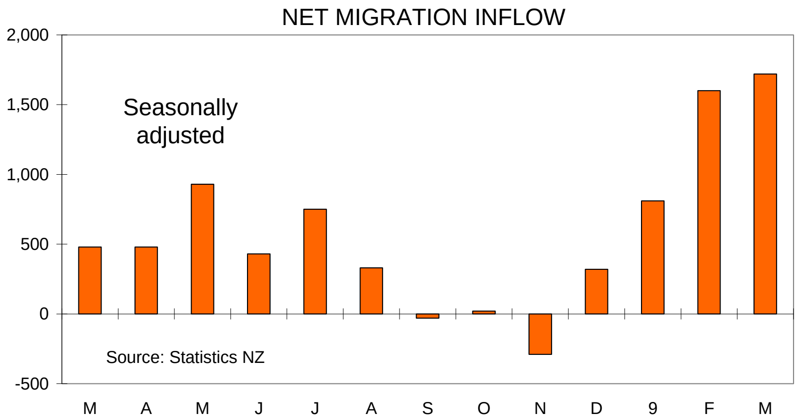
Migration Boom Underway?

In March there was a net gain to New Zealand’s population from permanent and long term migration flows of 313 people. This compared with a net loss in March last year of 1,009 and means the annual net flow has now risen to 7,482 from 6,160 in February and a cyclical low of 3,569 in November. In seasonally adjusted terms the flow for the month was a gain of 1,720 people compared with 1,600 in February, 810 in January, and 320 in December.





How does this turnaround so far compare with the experience of 2001-02 which we have often cited? Back then in the year to June 2001 there was a net loss of 9,266. A year later there was a net gain of 32,815. That was a massive 1% boost to the population. The low point in the migration cycle back then was -13,214 in the year to February 2001. Four months later the flow was -9,266 or an improvement of 3,948. This time over the four months since the low in November the turnaround has been 3,913.



One would be silly to blindly extrapolate this turnaround to an exact replica of the previous experience but there is nothing appearing in the data to dissuade us from the view we have long championed that NZ sits on the cusp of a decent net migration turnaround courtesy of woes offshore discouraging emigrants and encouraging a shift back here.

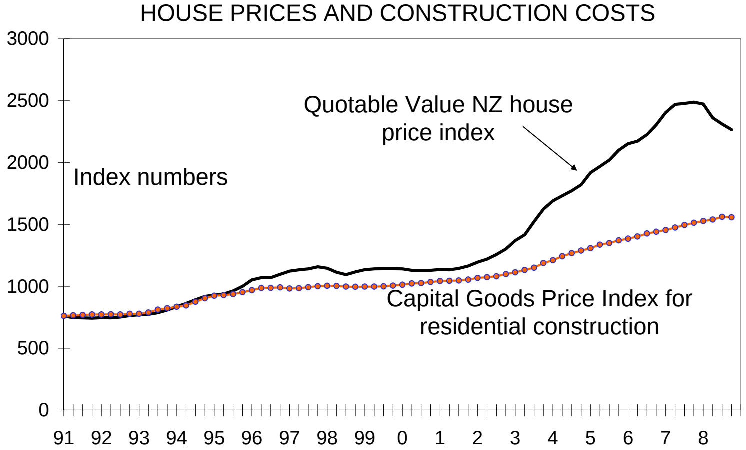
As we have pointed out, when these turnarounds happen it is not just one thing changing but usually a number – basically more people shifting here or shifting back here, plus fewer of us already here leaving. So in the three months to March we can see that the number of people shifting to NZ was ahead 5.7% from a year ago while the number leaving was down 9.7%.

For the moment we think it remains acceptable to count on a net migration gain come the end of this year somewhere between 15,000 people and 30,000. At a time when there is an existing housing shortage and construction is plummeting it is fairly easy to work out the housing market price support implications.

For your guide the net migration gain over the past ten years has been 10,671 p.a. and we are still below that. We will probably be above that come May however given the rate of turnaround recently experienced.

House Prices Vs. Construction Costs

With reference to one of our graphs last week showing the gap which has opened up between the QVNZ house price measure and the Capital Goods Price Index construction costs measure one emailer offered the following valuable insight. (Graph updated with QVNZ data released this week.)



"This week you made a comparison between the QV Index and the Capital Goods Price Index. I am not sure this is a fair comparison because the value of a property includes an accumulation of spending over the life of the property including the owners own time. In the last 10 years the home renovation thing has become very popular and new kitchens, new bathrooms, extensions, decks, garages etc, have been added at an unprecedented rate (possibly the availability of finance has enabled this).

QV's value index allows for this upgrading as it is tracking the value of property and their records are periodically updated for these things. My understanding is that the Capital Goods Price index measures the cost of purchasing goods,"

In other words, one source of natural upward bias to the house price index is better, more up to date and bigger houses.

Key Forecasts

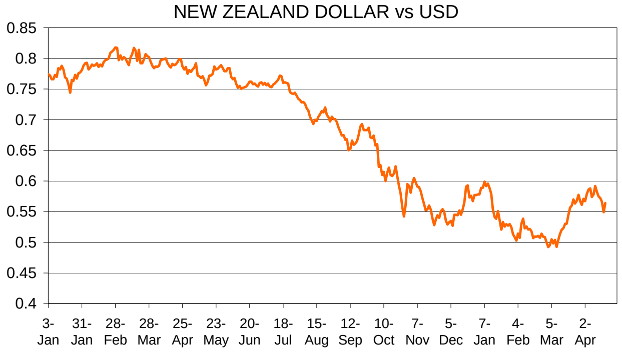
- Dwelling consent numbers to fall from 24,500 in the year to March 2008 to below 16,000 in the year to March 2009 with a slight recovery late this year then above average activity after that as attention turns to a shortage of dwellings.
- Real estate sales have probably reached their weakest level. Activity is likely to fluctuate and begin a drift upward before year end.
- House prices at worst to fall another 5%, stabilising now possibly, then rising slightly over 2010.

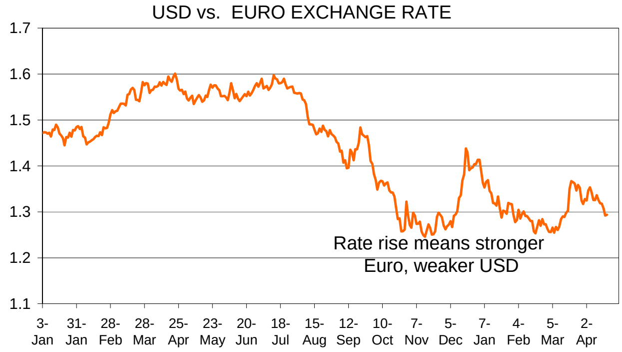
Exchange Rates & Foreign Economies

EXCHANGE RATES	This week	Week ago	4 wks ago	3 months ago	Yr ago	Consensus* Frcst Yr Ago	10 yr average
NZD/USD	0.558	0.575	0.56	0.526	0.799	0.729	.592
NZD/AUD	0.788	0.793	0.811	0.803	0.84	0.849	.856
NZD/JPY	54.7	56.9	53.5	46.8	82.3	75.8	66.8
NZD/GBP	0.384	0.384	0.388	0.379	0.40	0.385	.345
NZD/EUR	0.428	0.436	0.411	0.404	0.499	0.504	.51
USD/JPY	98.0	99.0	95.6	89.1	103.0	104	113.9
USD/GBP	1.453	1.497	1.442	1.39	1.998	1.892	1.709
USD/EUR	1.30	1.319	1.364	1.30	1.60	1.445	1.156
AUD/USD	0.708	0.725	0.691	0.655	0.95	0.859	0.69

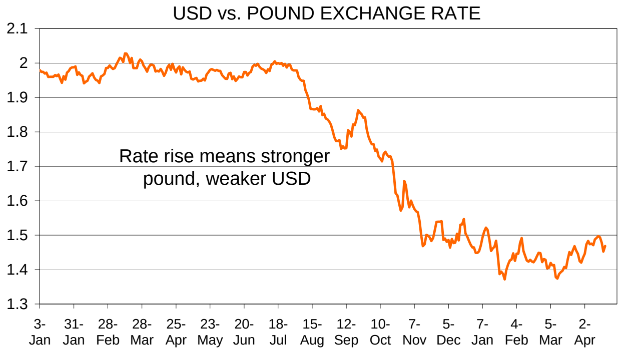
NZD Eases During The Week

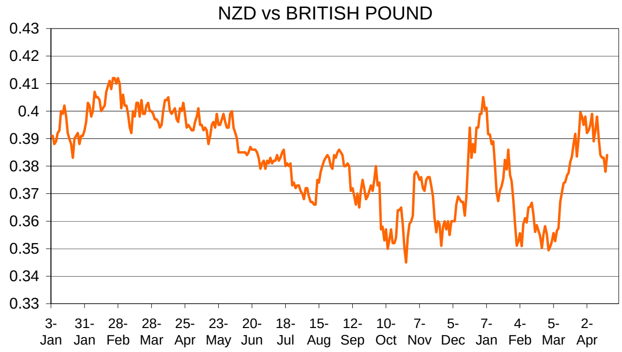
The NZ dollar has fallen over the week to end this afternoon near 55.8 cents from 57.5 cents last week largely on the back of some strengthening in the US dollar but also some worries about the NZ economy highlighted by the OECD in their 18 monthly report. The USD managed to rise during the week in response to the Euro being hit by still deepening worries about Eastern Europe and the feedback of woe there into Western Europe and German banks in particular. The USD's rise against the Euro was also helped by comments from ECB officials suggesting interest rates are going to be cut again in the near future. They are already at 0% in the US thus European cuts mean falling interest rate support for the Euro. The USD has ended against the Euro near $1.30 from $1.319 last week.



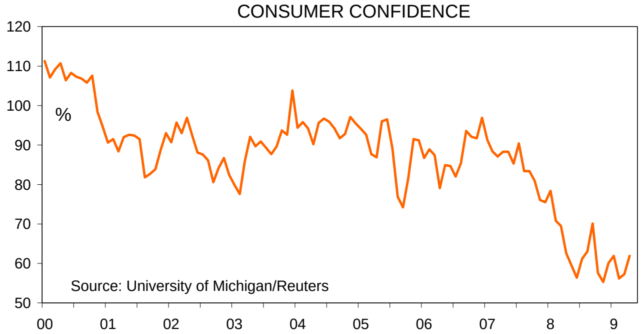


The USD has also firmed against the British pound to near $1.45 from $1.497 assisted by concerns about the UK's economic prospects in light of tax increases announced by the Chancellor overnight plus general concerns about economic data. The NZD has ended unchanged against the pound near 38.4 pence.

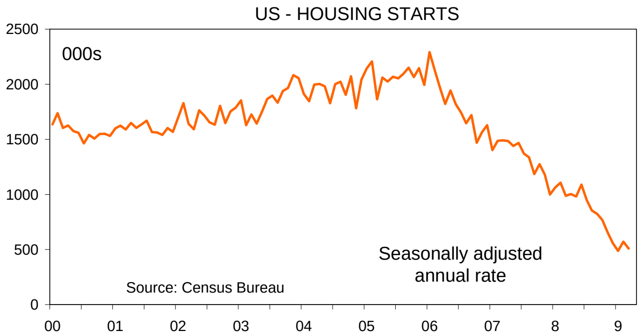


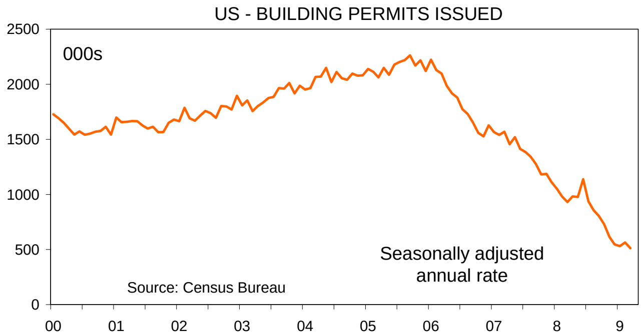


In contrast, in the United States one or two indicators have managed to come in on the positive side this week. The University of Michigan consumer confidence reading rose to 61.9 in April from 57.3 in March. But with a reading of 100 considered neutral the result still shows massively weak household spending so is not really something worth getting terribly excited about. And there are plenty of negative indicators still around.



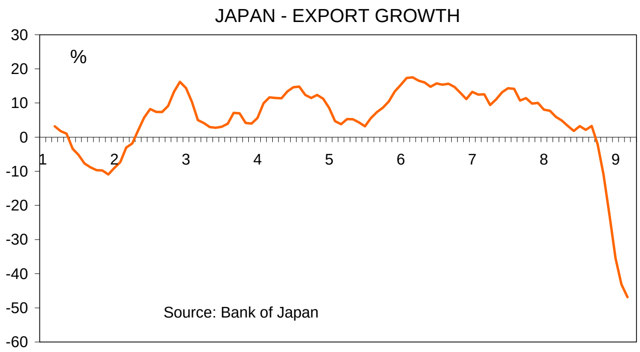
One of the first pieces of information which a few weeks ago got some people excited about the possibility of the US housing market bottoming out was a rise in housing starts and permits for February. Opps – off that. In March the seasonally adjusted annualised rate of housing starts fell back to 510,000 from 572,000 in February and the lowest level since 1959 in January of 488,000.

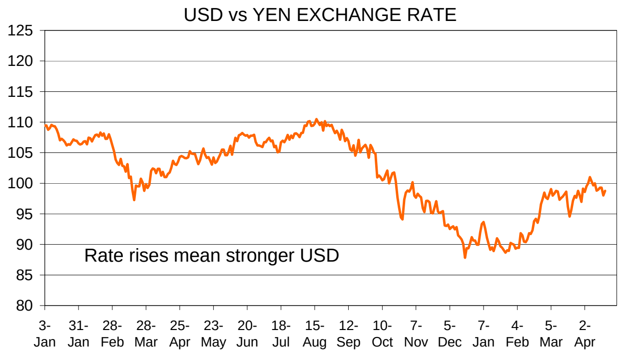




In addition, the more forward looking indicator of housing permits eased 9% in the month to 513,000 from 564,000 in February. Note though the February rate was originally 547,000 so it is not all bad. Permit numbers are down 45% from a year ago and suggestive of still massively weak activity in US residential construction, and weak orders if any to NZ manufacturers supplying products which end up in new US houses.

Against the Japanese Yen the USD has ended unchanged from a week ago near 98.8. This is partly because there are some signs that the speed of shrinkage in the Japanese economy may be slowing. The value of export receipts in March was down "only" 45.6% from a year ago versus a 49.5% decline in February. Hardly much of an improvement however and still showing an economy well munted by foreign consumers slashing their spending and importers having to react by stopping their orders to suppliers throughout Asia.

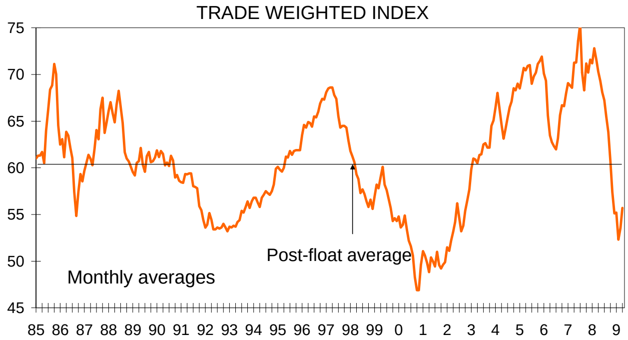


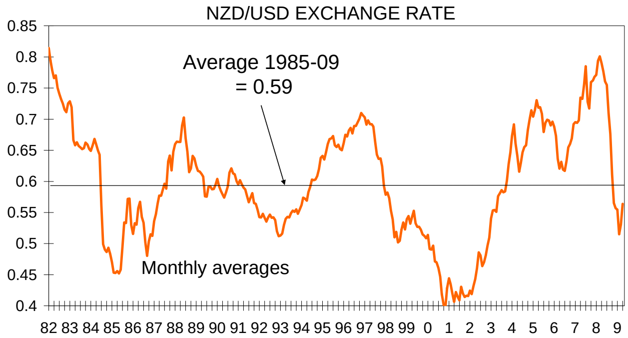


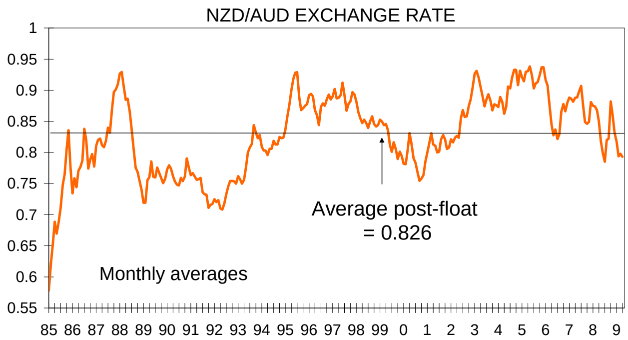
The NZD has ended against the Yen near 54.7 from 56.9. Against the Aussie dollar the NZD has ended near 78.8 cents from just below 79.5 cents last week.

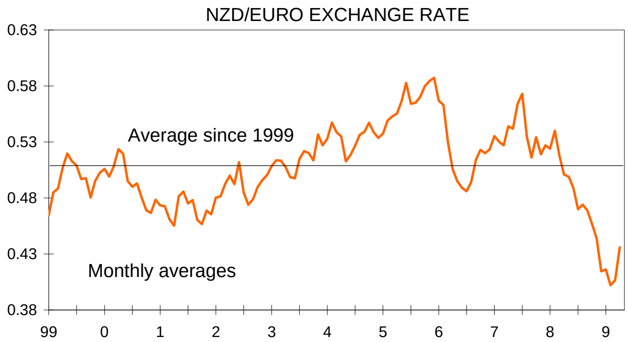
If I Were An FX Receiver What Would I Do?

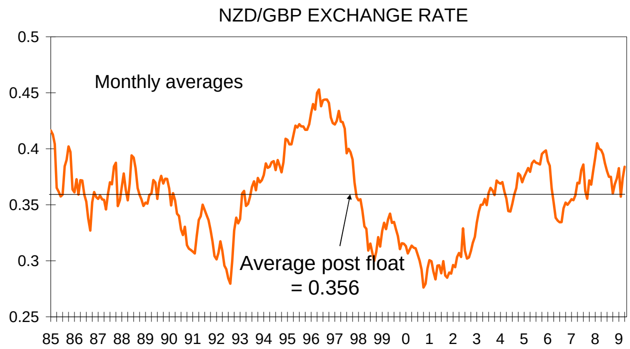
Given our belief that the markets have yet to come around to our view that the cash rate will bottom out at 2.0% rather than the expected 2.5%, we see scope for some further erosion of interest rate support for the NZD in coming weeks. This means if I were an exporter I would still be inclined to hold off major medium to long term hedging at the moment. But for short term stuff I might take advantage of the recent currency pullback to get some extra cover on board.

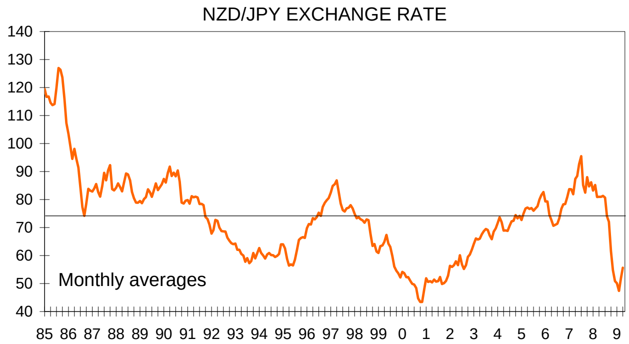












*Sourced from Consensus Economics. http://www.consensuseconomics.com/

Blanket apology for any strange words or phrases resulting from not doing enough proof-reading after using the Dragon Naturally Speaking voice recognition software.

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%	1.5	3.4	3.2	2.7
GDP growth	Average past 10 years = 3.0%	-0.9	-0.5	0.3	3.2	1.9
Unemployment rate	Average past 10 years = 5.3%	4.7	4.2	......	3.4	3.8
Jobs growth	Average past 10 years = 1.9%	0.9	0.1	1.0	2.5	1.5
Current a/c deficit	Average past 10 years = 5.5% of GDP	8.9	8.6	......	8.2	9.0
Terms of Trade		-0.9	-1.0	1.8	8.8	3.8
Wages Growth	Stats NZ analytical series	1.5	1.1	5.3	4.8	5.1
Retail Sales ex-auto	Average past 9 years = 3.8%.	-0.0	-0.2	-0.5	5.2	4.2
House Prices	Long term average rise 5% p.a. QVNZ	-2.0	-2.1	-8.9	8.0	9.7
Net migration gain	Av. gain past 10 years = 10,400	+6,160	3,569yr	......	4,644	13,160
Tourism – an. av grth	10 year average growth = 5.0%. Stats NZ	-8.5	-4.1	-8.5	4.8	6.0
		Latest year rate	Prev mth year rate	6 mths ago	Year ago	2 yrs ago
Consumer conf.	10 year average = 2%. Colmar survey	3	-9	3	-34	-4
Business activity exps	10 year average = 26%. NBNZ	-21.2	-20.1	16.7	-6.4	24.1
Household debt	10 year average growth = 11.3%. RBNZ	3.1	3.8	7.3	11.7	13.5
Dwelling sales	10 year average growth = 3.5%. REINZ	30.5	-17.7	-23.7	-53.3	8.9
Floating Mort. Rate	10 year average = 8.1%	6.49	7.49	10.95	10.69	9.55
3 yr fixed hsg rate	10 year average = 7.9%	6.75	5.99	8.69	9.54	8.50

ECONOMIC FORECASTS

Forecasts at Mch. 12 2009	March Years					December Years				
	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010
GDP - annual average % change										
Private Consumption	2.8	3.2	-0.4	1	1.8	2.6	4	0	0.5	1.8
Government Consumption	4	4.3	3.3	3.3	3.4	4.6	3.9	3.8	3.2	3.3
Investment	-0.6	4.3	-7.8	-12.3	5.8	-0.4	5	-4.4	-14	2
GNE	1.4	4.4	-1.5	-2.3	3.3	1.4	4.5	0	-3.3	2.4
Exports	3.1	2.9	-3.2	-2.9	1	1.8	3.8	-1.4	-3.7	-0.4
Imports	-1.6	9.6	-1.7	-7.5	2.2	-2.6	8.6	2.6	-8.9	0.4
GDP	1.8	3.1	-0.6	-0.4	3	2	3.1	0.3	-1.1	2.3
Inflation – Consumers Price Index	2.5	3.4	3.1	2.5	2.1	2.6	3.2	3.4	2.4	1.6
Employment	1.8	-0.2	1.1	-1.1	2.8	1.4	2.5	0.9	-2.4	2.8
Unemployment Rate %	3.7	3.7	5.2	6.7	6.2	3.8	3.4	4.6	6.6	6.2
Wages	5.5	4.4	4.7	2.7	1.9	5.5	4	5.1	2.9	1.8
EXCHANGE RATE ASSUMPTIONS										
NZD/USD	0.7	0.8	0.5	0.58	0.65	0.69	0.77	0.56	0.55	0.64
USD/JPY	117	101	94	93	100	117	112	91	90	100
EUR/USD	1.32	1.55	1.25	1.28	1.3	1.32	1.46	1.34	1.26	1.3
NZD/AUD	0.88	0.87	0.79	0.84	0.86	0.88	0.88	0.83	0.83	0.84
NZD/GBP	0.36	0.4	0.36	0.39	0.39	0.35	0.38	0.37	0.38	0.39
NZD/EUR	0.53	0.52	0.4	0.45	0.5	0.52	0.53	0.41	0.44	0.49
NZD/YEN	81.9	81.1	47	53.7	65	81	86.3	50.9	49.5	64
TWI	68.6	71.6	51.5	58	64.3	68	71.6	55.1	55.5	63.3
Official Cash Rate	7.5	8.25	3	3	5	7.5	8.25	5	2	4.75
90 Day Bank Bill Rate	7.78	8.83	3.17	3.37	5.2	7.64	8.77	5.23	2.58	4.95
10 year Govt. Bond	6.39	6.94	3.57	4.64	6.08	6.21	7.01	4.58	4.32	5.73

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.