ANZ Research

July 2020

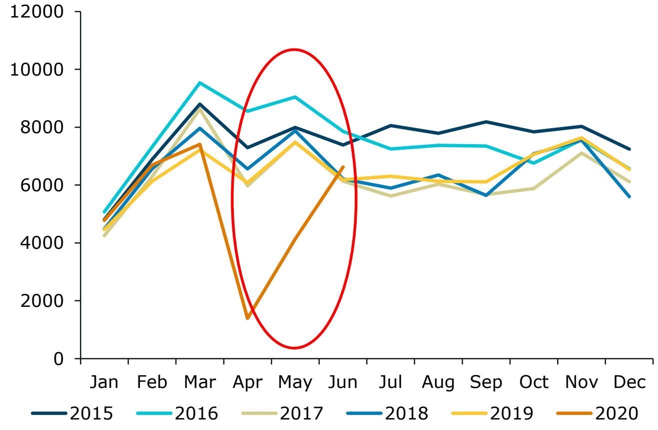
New Zealand Property Focus

Turn of the tide

At a glance

Housing market bounce

Sales staged a comeback in June



Source: REINZ

Policies providing support

Cushioning and delaying the blow

Wage subsidies, mortgage relief and low mortgage rates are supporting cash flow and the housing market.

Impacts of the downturn on the labour market will bite later this year, with impacts delayed due to fiscal support.

But the tide will turn

Housing not immune to the downturn

Housing is a bellwether of the domestic economic cycle.

Firm profits will be lower, partly reflecting a lack of international visitors and grim global outlook.

These factors will weigh on house prices, sales, home building and spending.

Cross-currents have shifted

Outlook hinges on how these evolve

Net migration is weak.

Unemployment is rising.

Confidence is fragile.

Appetite for credit has reduced.

Banks are wary about risks.

Expectations have shifted.

House prices may fall

But impact to be seen later

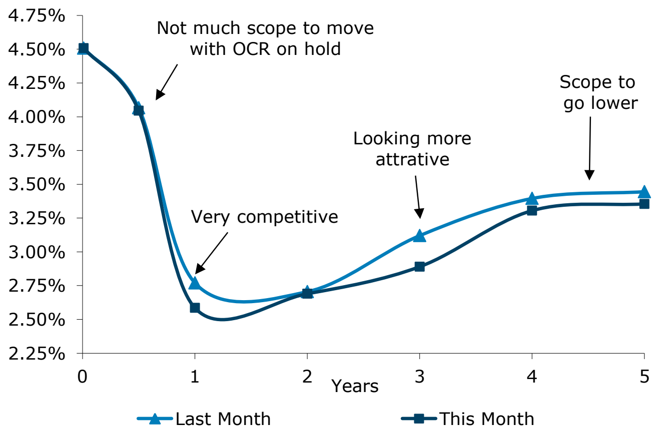
We see house prices falling 5-10%, with brunt of the impact later in the year.

This fall is later and a little smaller than previously assumed, but is subject to a lot of uncertainty.

GDP outlook remains weak and uncertain.

Mortgage rates to stay low

One to three year rates look attractive



Source: interest.co.nz, ANZ Research

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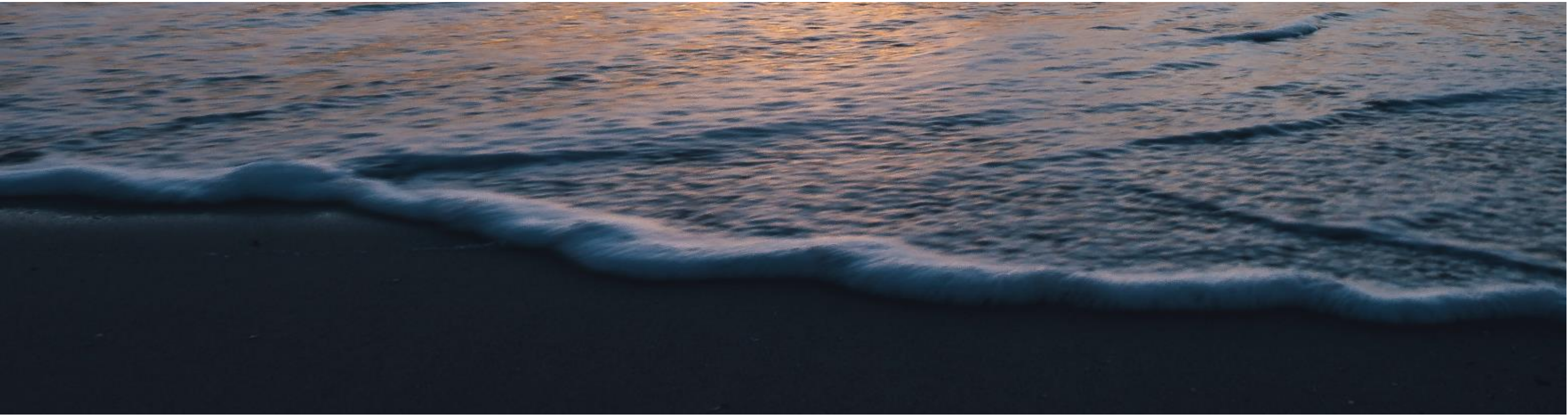

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Summary

Our monthly *Property Focus* publication provides an independent appraisal of recent developments in the residential property market.

Housing market overview

Albeit with wide regional disparities, the housing market staged a rebound in June, partly driven by pent-up demand for sales, and a post-lockdown bounce in spending across the broader economy. Cash-flow relief has also been a big driver, supported by lower mortgage rates, mortgage deferment schemes, and wage subsidies (which have cushioned incomes and delayed job losses). Nonetheless, appetite for credit has reduced. Banks are also wary about risks and credit conditions have tightened. See Housing Market Overview for more.

Feature Article: Turn of the tide

The COVID-19 crisis has seen trends in the housing market shift. There are offsetting forces, and the crosscurrents are highly uncertain. Currently, the market is supported – but this support may start to wane, particularly later this year. We are wary that a number of factors could weigh in time: a tip in the balance between demand and supply, rising unemployment, caution towards debt, and tighter credit conditions. We see house prices falling 5-10%, but the outlook is highly uncertain. It will hinge on the global COVID-19 situation, economic conditions, migration flows, policy choices, and household attitudes. See Feature Article: Turn of the tide for more.

Trends in the housing market have changed since before COVID

	Pre-COVID trend	Outlook	Direction for house prices
Demand vs supply	↑	↓	↓
New building	↑	↓	→↑
Migration	→	↓↓	↓↓
Serviceability	→	↓↑	↓
Mortgage rates	→	↓	↑
Unemployment	↓	↑↑	↓↓
Income support	→	↑	↑
Export receipts	↑	↓	↓
Confidence	→	↓	↓
Credit conditions	↓	↓↑	↓
Bank funding ease	↓	↑	↑
Credit supply	↓	↓	↓
Credit appetite	↑	↓	↓
House prices	→	↓	↓

Mortgage borrowing strategy

Home loan rates have dropped a little further over the past month as competition has intensified. The average 3-year fixed rate has fallen below 3% for the first time in decades, following earlier moves seen in 1-year and 2-year fixed rates. Although we see scope for further falls in fixed rates, the pace of further declines will likely slow now that the OCR is at its effective low point of 0.25% and global interest rates have stabilised. It is hard to go past the 1-year right now, but 2-year and 3-year rates look attractive and it makes sense to stagger the expiry of fixed terms. See Mortgage Borrowing Strategy for more.

Housing market overview

Summary

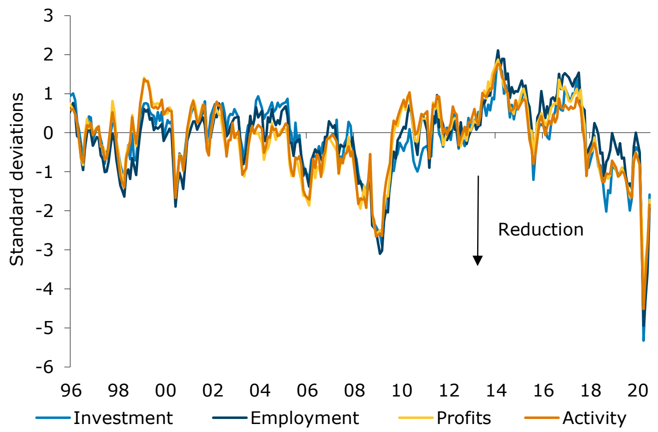
Albeit with wide regional disparities, the housing market staged a rebound in June, partly driven by pent-up demand for sales, and a post-lockdown bounce in spending across the broader economy. Cash-flow relief has also been a big driver, supported by lower mortgage rates, mortgage deferment schemes, and wage subsidies (which have cushioned incomes and delayed job losses). Nonetheless, appetite for credit has reduced, with households looking to shore up their financial positions. Banks are also wary about risks and credit conditions have tightened.

The economy has seen a bounce in activity

Since the end of lockdown, economic activity and spending have rebounded. This boost has been driven by pent-up demand and an increase in involuntary savings, after people were unable to spend in lockdown. Lower mortgage rates, wage subsidies, income relief payments and mortgage deferment schemes are also providing cash-flow relief for households, supporting the post-lockdown spend-up. Seasonally strong domestic tourism through the winter months is also providing a temporary economic boon, at a time when many New Zealanders would otherwise be travelling overseas to warmer climates.

Firms' sentiment about the outlook has improved in recent months, although there is still wariness about earnings prospects. Job losses are occurring, with more expected, and investment is being pulled back (figure 1).

Figure 1. ANZ Business Outlook expectations and intentions (deviation from average)



Source: ANZ Research

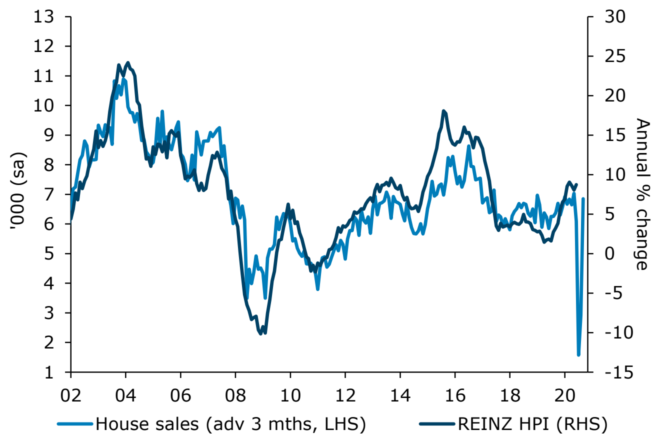
Although the bounce in spending and sentiment has been vigorous, the outlook for the economy is uncertain and grim. GDP could be 5-12% lower this year, depending on a range of factors. The economy still needs considerable support from the RBNZ and Government. A lower exchange rate would also help. The RBNZ needs to keep monetary conditions easy, and the Government needs a targeted, considered response. We continue to expect that QE will be expanded in August.

The extent of underlying economic weakness wil not become apparent until later this year. With the risk that economic news deteriorates into 2021, the possibility that the RBNZ could deploy a negative OCR down the track can't be ruled out.

The housing market has rebounded

The post-lockdown bounce in economic activity has been evident in the housing market too. There was a surge in sales in June, after buyers had to delay their purchases on account of lockdown. Sales have now returned to levels prevailing pre-COVID (figure 2) and inventory levels are recovering, albeit a little more slowly. The flurry of sales has supported prices, which were up 1% m/m in June, recovering falls seen in April and May, to be up 0.2% over the quarter (8.7% y/y).

Figure 2. House sales and prices



Source: REINZ

Significant regional variation is evident, with tourism-dependent regions seeing price declines (particularly Central Otago), while other regions (especially Hawke's Bay) saw increases (see table). The housing market continues to be affected by volatility following lockdown, and will have disrupted seasonal patterns. Some of the recent resurgence may reflect noise, making recent figures a little difficult to interpret.

Driven by temporary supports

Like the bounce in spending, the recent rebound in the housing market has been partly driven by policy supports, including wage subsidies, lower interest rates, and mortgage deferment schemes. For some in a good employment position, low mortgage rates have provided an opportunity to enter the market. The share of new lending going to first home buyers has been steady. Some investors will also be purchasing in search of return, as interest rates are very low.

However, most supportive factors are providing only a temporary reprieve: mortgage deferment and the uptake of interest-only payments serve to increase debt burdens in the longer run, and defer difficult decisions. The wage subsidy extension is due to expire in September and income relief payments in October. Although fiscal policy will remain stimulatory, widespread income support to avoid job losses is not sustainable. Some job losses have been deferred, not avoided. Income relief payment are providing supplementary support for those who have lost their jobs, and will expire at the end of October.

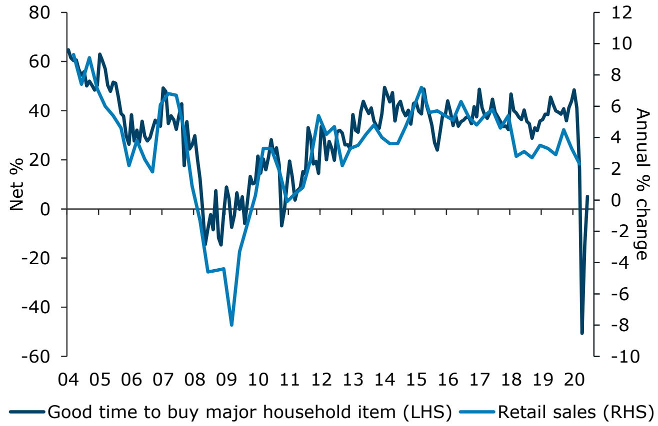
We are likely to see some further downward pressure on mortgage rates as QE bubbles through the market (See our Mortgage Borrowing Strategy for more details). But that won't be enough to offset the underlying shifts that have taken place, which will lead to a weaker housing pulse in time (see Feature Article: Turn of the tide).

Households are cautious

Although house sales have rebounded, households are conscious of their financial positions. Sentiment has improved, buoyed by our elimination of COVID-19, cash flow relief, and the cash squirreled away during lockdown. But households are wary about buying big ticket items. According to our ANZ Consumer Confidence survey, the quantity of households who consider it a good time to purchase a major household item remains at recessionary levels (figure 3).

Although lower mortgage rates make borrowing cheaper, banks report that households are wary about taking on more debt too, with demand for credit having reduced. This sense of caution is likely to intensify as the crisis impacts on the labour market and weaker incomes are realised.

Figure 3. ANZ Consumer Confidence "Good time to buy a major household item" and retail sales



Source: Statistics NZ, Roy Morgan, ANZ Research

Banks are wary about risks

Banks are conscious of risks too, and this is weighing on lending decisions. Banks report that credit standards have tightened over the past three months (see Feature Article: Turn of the tide).

New lending with lower equity (less than 20%) has ticked up only slightly, likely reflecting mortgage relief, with households and banks otherwise cautious about riskier loans. The LVR changes were a requirement to allow the mortgage relief scheme to work as intended, rather than an intended meaningful change in market conditions.

Housing market indicators for June 2020 (based on seasonally adjusted REINZ data)

	Median house price			House price index		# of monthly sales	Monthly % change	Average days to sell
	Level	Annual % change	3-mth % change	Annual % change	3-mth % change			
Northland	$537,523	10.5	-6.1	9.9	1.3	177	+79%	66
Auckland	$922,926	9.1	1.5	7.8	-0.1	2,045	+110%	52
Waikato	$620,285	17.2	-2.3	8.5	-0.7	744	+127%	53
Bay of Plenty	$642,966	8.6	-6.1	8.9	2.7	450	+102%	73
Gisborne	$438,164	28.9	2.6	--	--	53	+66%	40
Hawke's Bay	$577,345	18.6	13.8	17.8	2.2	228	+63%	34
Manawatu-Whanganui	$425,728	15.6	-3.4	19.4	1.5	382	+65%	29
Taranaki	$429,406	11.9	-0.7	11.0	-0.1	172	+50%	37
Wellington	$684,495	10.4	1.9	10.8	0.9	725	+54%	33
Tasman, Nelson & Marlborough	$580,000	9.4	0.9	--	--	220	+67%	34
Canterbury	$472,203	5.5	-1.5	5.2	0.1	978	+96%	41
Otago	$562,408	21.9	-5.9	6.1	-2.1	419	+112%	33
West Coast	$220,636	15.4	-5.0	8.0	0.5	58	+127%	85
Southland	$346,631	19.5	-2.5	12.3	1.4	209	+155%	32
New Zealand	**$635,344**	**9.3**	**-0.5**	**8.7**	**0.2**	**6,851**	**+134%**	**44**

Feature Article: Turn of the tide

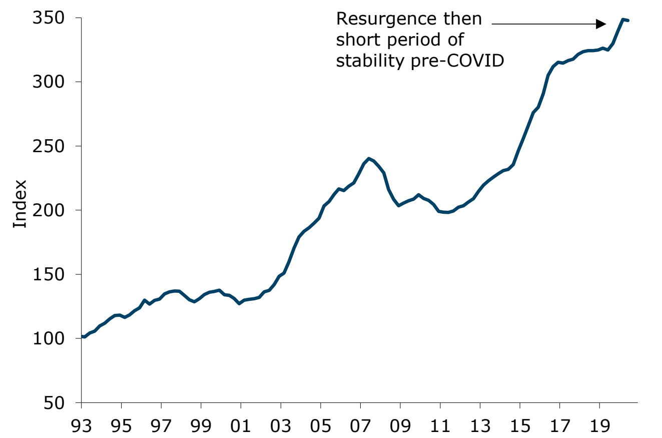
Summary

The COVID-19 crisis has seen trends in the housing market shift. There are offsetting forces, and the crosscurrents are highly uncertain. Currently, the market is supported – but some of these supports are set to wane, particularly later this year. We are wary that a number of factors could weigh in time: a tip in the balance between demand and supply, rising unemployment, caution towards debt, and tighter credit conditions. We see house prices falling 5-10%, but the outlook is highly uncertain. It will hinge on the global COVID-19 situation, economic conditions, migration flows, policy choices, and household attitudes.

Look forward, not back

Before the COVID-19 crisis, the housing market had experienced a resurgence through the second half of 2019, supported by lower interest rates. But it looked to be entering a phase of relative stability in 2020 (figure 1).

Figure 1. Real house prices



Source: REINZ

Since the COVID-19 crisis hit, a number of underlying trends have changed, summarised in table 1. These changes have significant implications for the market from here. The outlook for these factors is highly uncertain, and as a result, so too is the outlook for house prices.

Mortgage rates have fallen further

One theme that has become increasingly relevant is the move towards lower mortgage rates. Falling mortgage rates are a key support for the housing market right here and now.

Mortgage rates have fallen further over the past month, with even more downward pressure expected as the impacts of QE flow through the market (see our Mortgage Borrowing Strategy and mortgage rate forecasts), which will provide continued support to the housing market. In fact, there are reasons to think that falls in interest rates have even larger effects on the housing market when interest rates are already low.

A low interest rate environment can also make asset prices more volatile, which means there is more scope for a correction should underlying conditions change. This means that if the tide turns for the housing market as we expect, the outcome could be quite marked. Check out our January Property Focus for more details on how this works.

Lower mortgage rates will certainly limit the downside for the housing market and provide financial relief for households who may start to experience difficulty. However, we do not think it will be enough to work against emerging headwinds to the extent required to prevent a meaningful fall in house prices.

Table 1. Trends in the housing market have changed since before COVID

	Pre-COVID trend	Outlook	Direction for house prices
Demand vs supply	↑	↓	↓
New building	↑	↓	→↑
Migration	→	↓↓	↓↓
Serviceability	→	↓↑	↓
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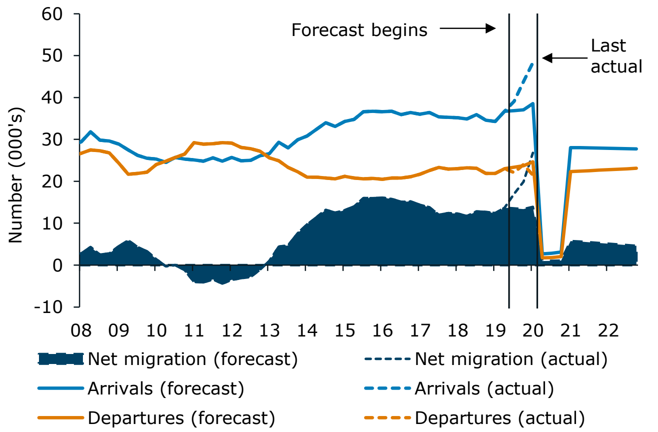
Bank funding ease	↓	↑	↑
Credit supply	↓	↓	↓
Credit appetite	↑	↓	↓
House prices	→	↓	↓

Feature Article: Turn of the tide

Migration is weak

The outlook for migration is very uncertain but looks set to be weak. There is a queue of kiwis returning home (many from short trips away) and a second queue of visa holders waiting to come in. But quarantine is a choke-point and it is unclear how long the queue will last. New Zealanders are not leaving as they usually would, while international arrivals are also very low and are likely to remain so for some time (figure 2). Relative to history, migration is weak on net, and expected to remain so.

Figure 2. Net migration outlook (quarterly)



Source: Statistics NZ, ANZ Research

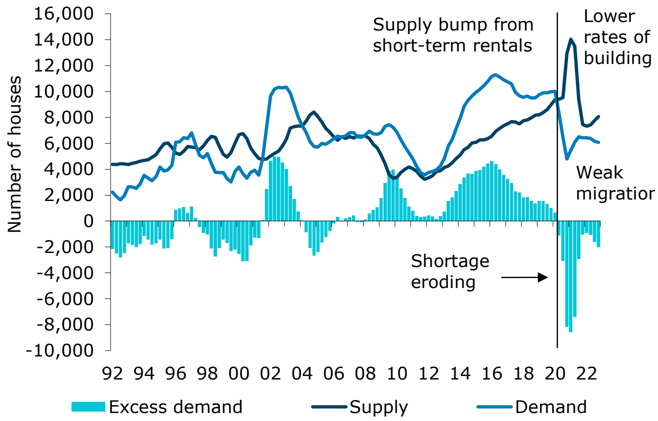
How long this goes on for – and the extent of the impact on the housing market – is a question of how long the border remains closed. The outlook from here is highly uncertain, depending on COVID-19 developments globally. If a vaccine can be developed, population flows will resume, but without this catalyst for change, migration is likely to remain very weak. And even then, it's jobs that attract migrants, and we expect the unemployment rate to remain elevated for some time.

Demand-supply balance has shifted

Previously, pent-up demand for houses had been building due to scandalously tight supply conditions. But our housing shortage is now eroding (figure 3) due to an influx of short-term rental properties moving into the long-term market, as short-term demand from international visitors is now lacking. See our June Property Focus for more details.

This tip in the balance between demand and supply is consistent with lower house prices, and realignment of expectations. This may be particularly evident as new home builds become available. Record-high rates of building have been occurring on the expectation of continued strong population growth, but new supply will take pressure off the market as these builds come on stream, dampening prices.

Figure 3. Housing supply-demand balance

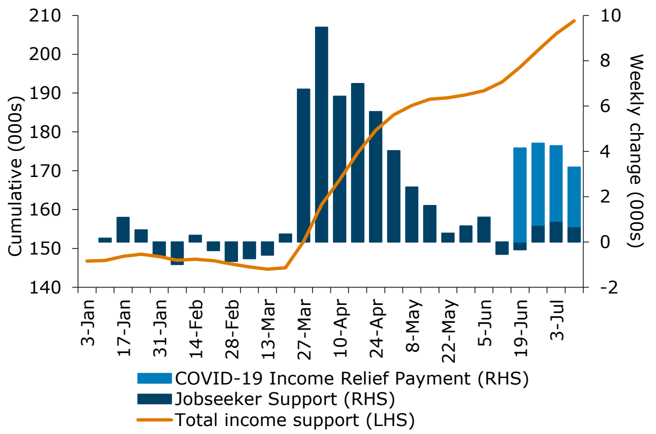


Source: Statistics NZ, ANZ Research

Unemployment is rising

Unemployment is set to rise rapidly. Job losses are already happening, with increased reliance on jobseeker and income relief payments clearly evident (figure 4).

Figure 4. Jobseeker support and income relief



Source: Ministry of Social Development

Some job losses have been delayed, with $14.3bn in wage subsidies allowing firms to hold onto employees in the face of sharp revenue losses. For some businesses, the subsidy has kicked the can down the road, and they will still need to shed workers in time.

The wage subsidy scheme will end in September, and we do not expect it will be extended – it is simply too expensive. At that point, government policy is expected to pivot towards supporting the economic recovery, filling the gap in demand, and redeploying workers where they are needed. We expect that unemployment will peak at 10%, but we may not see the peak in unemployment until later this year.

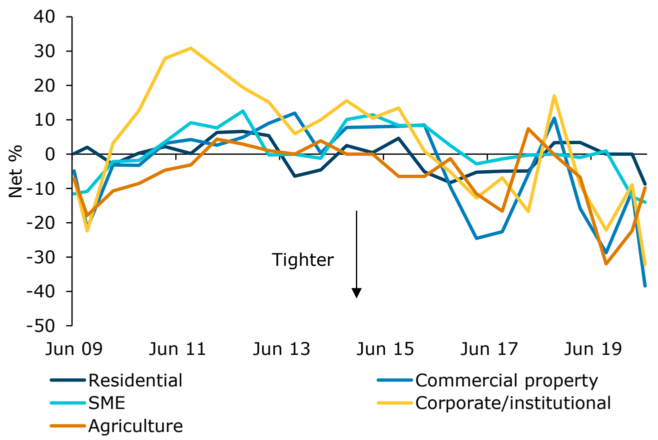
For those directly affected, job losses will make it harder to service debts or buy property. Business owners are ultimately households too, and those with struggling firms will be in a similar position. Some households are already experiencing hardship and the incidence of this will increase.

Rising unemployment will also weigh on consumer confidence. Households' wariness about large purchases and taking on debt will only increase (see Housing Market Overview). All of that will weigh on willingness and ability to pay in the housing market, dampening prices, and potentially leading to a negative feedback loop between house prices, confidence and credit demand.

Credit conditions may tighten further

Banks are wary about lending decisions and credit conditions have tightened (figure 5), though residential mortgage lending has been the least affected segment so far.

Figure 5. Credit availability reported by banks

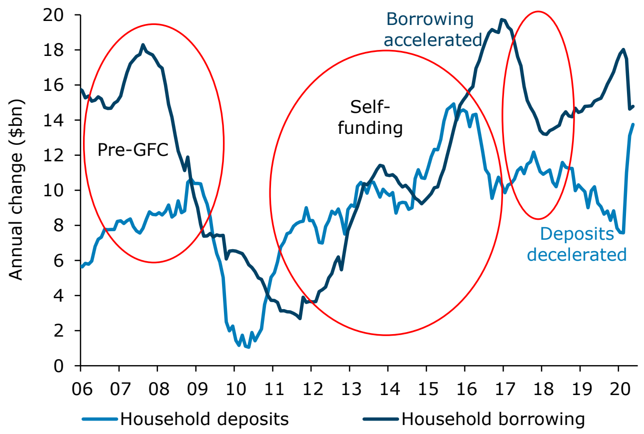


Source: RBNZ Credit Conditions Survey
Note: Chart shows % of respondents reporting an easing in conditions less % of respondents reporting a tightening.

Weakness in credit demand is the dominant factor in the residential lending market so far, according to the RBNZ Credit Conditions Surveys, with a tightening in lending decisions a secondary factor.

Providing some relief is the fact that funding positions for banks are very easy at the moment (figure 6). This has been driven largely by a temporary surge in deposits, as a result of wage subsidy payments hitting the banking system. This surge of deposits has been an easy way to fund new lending. Prior to the COVID-19 crisis, widening funding gaps looked like an emerging headwind, but this issue has been resolved, at least for now. The risk is that deposit growth pares back following the wage subsidy flurry, which could make banks more cautious in their lending in time. However, QE also makes funding relatively easy and cheap for banks by providing cash (see here for details), so it is unlikely that funding concerns are a significant risk in the near future.

Figure 6. Banks' funding gaps



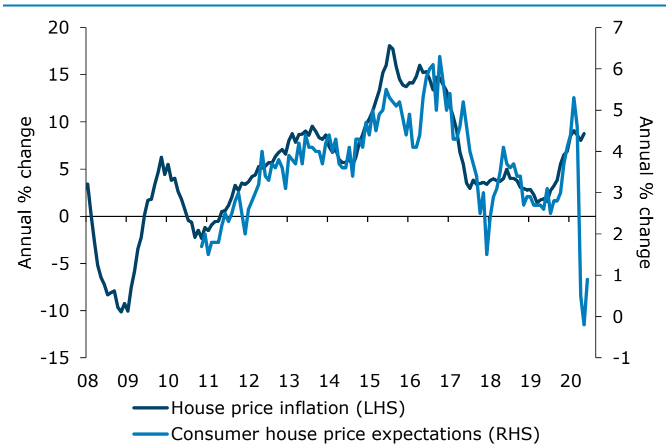
Source: RBNZ, ANZ Research

According to the RBNZ Credit Conditions Survey, the biggest factors contributing to the recent tightening in lending standards are banks' perceptions of risk, and their tolerance for risk. More tightening in credit conditions is expected over the next six months, though this may or may not occur, depending on how economic conditions play out and perceptions of risk evolve. Tighter credit conditions limit households' ability to pay in the housing market and will prevent some purchases from happening at all, meaning a tightening in lending standards from here has the potential to weigh on house prices, if it happens. Lenders' attitudes towards risk may be impacted even further if house prices start to fall, which could further exacerbate any tightening in conditions. At an extreme, this too can lead to an ugly feedback loop between house prices and credit supply.

Expectations have shifted

As trends in the housing market have shifted, expectations have too. And even though consumer confidence has improved, consumer house price expectations remain weak (figure 7).

Figure 7. House price inflation: expectations and reality



Source: REINZ, Roy Morgan, ANZ Research

Feature Article: Turn of the tide

House price expectations are not perfect indicators of reality, but they are part of the bargaining process for buyers and sellers. In this way, expectations can become self-fulfilling – and that means expectations don't ever deviate too far from actual for long.

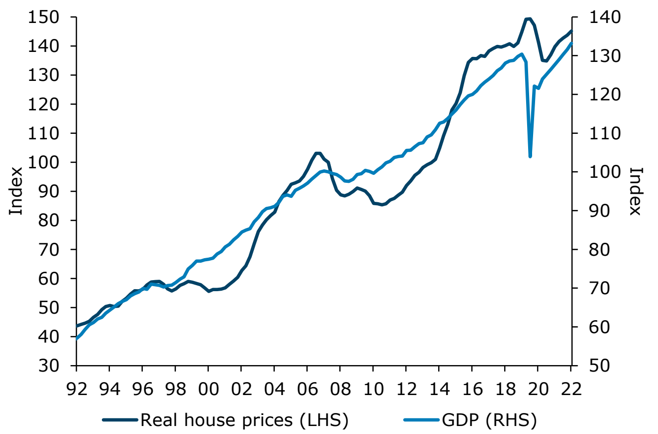
For the current gap to close, expectations and/or house prices will need to adjust, and we think a weaker realised pulse for house prices will be at least part of the story. Changes in expectations can have quite dramatic effects, since house prices are an asset price. If house prices start to fall, some who did not expect it to happen, will likely adjust their expectations lower. The resulting impacts on house prices from these sorts of shifts in expectations can be particularly large for house prices in a low interest rate environment. See our January Property Focus.

We see house prices lower, later

With underlying trends in the housing market having shifted, we expect that the tide will turn and house prices will fall eventually. The outlook is highly uncertain, but we see house prices 5-10% lower (figure 8), with some regions particularly vulnerable to falls.

This fall is now expected to occur a little later, with the brunt of the impact occurring at the end of this year and into next, once the labour market situation becomes clearer and noise in the data subsides.

Figure 8. Real house prices and GDP



Source: Statistics NZ, REINZ, ANZ Research

This is a smaller fall than we previously feared, with a less aggressive subsequent rebound. We aren't ruling out a larger fall; there are clearly significant downside risks. But we are now more comfortable that stimulus is providing support, and a bigger drop may be avoidable.

Our central view still fundamentally rests on the observation that trends in the housing market have dramatically changed, and that this will weigh on prices. But we now assume more of an offsetting impact from policy supports. Temporary boosts to cash flow like the wage subsidy and mortgage deferment schemes will end, but house prices tend to be quite persistent, so this boost will linger. Meanwhile, low (and potentially even lower) interest rates will be with us for a while yet, especially given our expectation that QE will increase to $90bn at the August MPS.

Should the housing market deteriorate more than we currently expect, we think the RBNZ will pull out all stops to shore up the outlook. In fact, we cannot rule out the RBNZ deploying a negative OCR if the outlook was deemed bad enough and the associated risks worth taking.

A negative OCR could unhelpfully impair credit supply. However, such a tightening would potentially be concentrated in riskier sectors, like business and commercial property lending. This could be bad for investment but not necessarily such a headwind for the residential property market. A negative OCR would lower mortgage rates and boost asset prices, which would likely lead to net positive impacts on the housing market if deployed, providing eventual support in the event of a sharper correction.

Implications for building and spending

Our expectation that we may see a smaller house price fall than previously assumed will mean consumption may be slightly stronger than otherwise, but still weak. House prices affect household spending through impacts on net worth, confidence, and durables purchases associated with house sales. Spending is expected to be tempered by these effects in the period ahead.

More striking is the impact that a weaker housing market could have on new home building and renovations, both of which tend to be spurred by developments in the existing property market. New home building is expected to drop – potentially quite sharply – from its recent highs. The extent of this impact is highly uncertain, depending on how housing market and other domestic economic developments evolve, and the degree to which new home building by the Government takes up some of the slack.

Reflecting this weak outlook, confidence and profitability expectations amongst builders are very poor. For these firms, and those in the retail sector, the outlook for the housing market will have a significant bearing on profitability. And with housing a bellwether of the domestic cycle, other industries will not be immune should the housing market take a significant hit.

We continue to expect that GDP will contract 7-9% this year. However, the outlook remains highly uncertain, and a better house price outlook tempers some of the downside risk we see around this forecast.

Mortgage borrowing strategy

This is not personal advice. The opinions and research contained in this document are provided for information only, are intended to be general in nature and do not take into account your financial situation or goals.

Summary

Home loan rates have dropped a little further over the past month as competition has intensified. As a result, the average 3-year fixed rate has fallen below 3% for the first time in decades, following earlier moves seen in 1-year and 2-year fixed rates. Floating and 6-month rates have not changed materially. Although we see scope for further falls in fixed rates, the pace of further declines will likely slow now that the OCR is at its current effective low point of 0.25% and global interest rates have stabilised. It is hard to go past the 1-year right now, but 2-year and 3-year rates look attractive and it makes sense to stagger the expiry of fixed terms.

Our view

Intensifying competition in the home loan market has seen fixed rates fall a little further this month. The average floating rate is unchanged, but all fixed rates are lower, even if only slightly. Of note, 1-year and 3-year rates are down around 0.2%, taking the 3-year rate below 3% for the first time in decades.

Rates for most terms fell sharply in May and June, but the pace of the decline has slowed. This is largely because wholesale interest rates out to around 5 years fell sharply as the COVID-19 crisis hit, but have now stabilised. Most interest rates (policy rates, wholesale rates and mortgage rates) remain near all-time lows here and abroad, and the outlook is for them to be fairly stable rather than move materially lower.

We do see scope for further mild, gradual declines in both wholesale rates and mortgage rates, but the emphasis should be on "mild" and "gradual" rather than "decline". As such, we think readers should work on the basis that the bulk of the fall in mortgage rates has now occurred. Indeed, while the RBNZ's Quantitative Easing (QE) programme is ongoing and remains focussed on keeping the term structure of interest rates low and flat, most of the impact has already occurred and further falls from here depend on how the economy performs. At the very short end, with the OCR on hold until at least March 2021, there is not much scope for the floating rate to move unless we see a further intensification in competition.

With many rates at all-time lows, it is, by definition, now more attractive than ever to borrow and to fix. In that regard, our preferred terms are the 1-year, 2-year and 3-year rates, or some combination of all three. We see limited appeal in more expensive 4-5-year rates because they cost more and because, if anything, the risk is that they fall as QE continues.

The question then becomes, what sort of mix makes sense? The 1-year rate is the lowest and makes more sense if you think rates will keep falling. However, they might not fall. Conversely, the 3-year gives you more certainty, but it is slightly more expensive.

Breakeven analysis can help to compare the options. Right now, breakevens start to rise beyond a 1-year horizon. For example; the 1-year breakeven rate in 1 year's time is 2.80%. Thus if the choice is between 1-year at 2.59% or 2-years at 2.69%, you'd be financially better off selecting the 1-year and re-fixing for another year in a year if you thought the 1-year would likely be below 2.80% in a year. Because we tend to think rates are biased to hold steady or go slightly lower, we would be tending to lean more towards the 1-year than the 3-year, but there isn't much in it given the small differences.

Figure 1. Carded special mortgage rates^

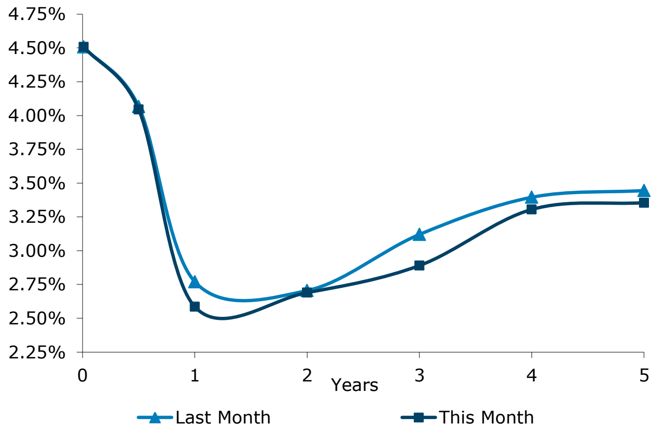


Table 1. Special Mortgage Rates

		Breakevens for 20%+ equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	4.51%				
6 months	4.05%	1.13%	2.74%	2.85%	3.19%
1 year	2.59%	1.93%	2.80%	3.02%	3.29%
2 years	2.69%	2.48%	3.04%	3.44%	3.92%
3 years	2.89%	2.94%	3.55%	3.68%	3.80%
4 years	3.31%	3.24%	3.55%		
5 years	3.36%	#Average of "big four" banks			

Table 2. Standard Mortgage Rates

		Breakevens for standard mortgage rates*			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	4.51%				
6 months	4.20%	2.43%	3.37%	3.33%	4.04%
1 year	3.31%	2.90%	3.35%	3.69%	4.19%
2 years	3.33%	3.29%	3.77%	4.10%	4.51%
3 years	3.62%	3.70%	4.12%	4.27%	4.44%
4 years	3.92%	3.93%	4.17%		
5 years	4.00%	#Average of "big four" banks			

^ Average of carded rates from ANZ, ASB, BNZ and Westpac.

Source: interest.co.nz, ANZ Research

Key forecasts

Weekly mortgage repayments table (based on 25-year term)

Mortgage Size ($'000)	Mortgage Rate (%) 2.50	2.75	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75
200	103	106	109	112	115	119	122	125	128	131	135	138	142	145
250	155	160	164	169	173	178	183	187	192	197	202	207	212	218
300	207	213	219	225	231	237	243	250	256	263	270	276	283	290
350	259	266	273	281	289	296	304	312	320	329	337	345	354	363
400	310	319	328	337	346	356	365	375	385	394	404	415	425	435
450	362	372	383	393	404	415	426	437	449	460	472	484	496	508
500	414	426	437	450	462	474	487	500	513	526	539	553	566	580
550	466	479	492	506	520	534	548	562	577	592	607	622	637	653
600	517	532	547	562	577	593	609	625	641	657	674	691	708	725
650	569	585	601	618	635	652	669	687	705	723	741	760	779	798
700	621	638	656	674	693	711	730	750	769	789	809	829	850	870
750	673	692	711	730	750	771	791	812	833	854	876	898	920	943
800	724	745	766	787	808	830	852	874	897	920	944	967	991	1,015
850	776	798	820	843	866	889	913	937	961	986	1,011	1,036	1,062	1,088
900	828	851	875	899	924	948	974	999	1,025	1,052	1,078	1,105	1,133	1,160
950	879	904	930	955	981	1,008	1,035	1,062	1,089	1,117	1,146	1,174	1,204	1,233
1000	931	958	984	1,011	1,039	1,067	1,095	1,124	1,154	1,183	1,213	1,244	1,274	1,306

Mortgage rate forecasts

	Actual			Forecasts						
Interest rates	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Floating Mortgage Rate	5.5	5.5	4.8	4.5	4.4	4.3	4.1	4.0	4.0	4.0
1-Yr Fixed Mortgage Rate	4.4	4.3	4.0	2.8	2.6	2.6	2.6	2.6	2.6	2.6
2-Yr Fixed Mortgage Rate	4.5	4.4	4.2	2.7	2.7	2.8	2.8	2.8	2.8	2.9
5-Yr Fixed Mortgage Rate	5.0	4.9	4.8	3.4	3.3	3.3	3.1	3.2	3.2	3.2

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
GDP (Ann % Chg)	2.4	1.8	-0.2	-19.3	-5.9	-6.8	-3.4	20.4	3.5	5.1
CPI Inflation (Annual % Chg)	1.5	1.9	2.5	1.5(a)	1.3	0.9	0.5	1.1	0.8	0.6
Unemployment Rate (%)	4.1	4.0	4.2	7.6	10.0	9.7	9.3	9.2	8.9	8.4
House Prices (Quarter % Chg)	1.6	3.2	3.3	0.2(a)	-1.0	-4.0	-4.0	0.0	2.0	2.0
House Prices (Annual % Chg)	2.5	5.3	8.2	8.5(a)	5.7	-1.6	-8.6	-8.8	-6.0	-0.1

Interest rates	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Official Cash Rate	1.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
90-Day Bank Bill Rate	1.29	0.49	0.30	0.31	0.31	0.31	0.31	0.31	0.31
LSAP ($bn)		33	60	90	90	90	90	90	90

Source: ANZ Research, Statistics NZ, RBNZ, REINZ

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