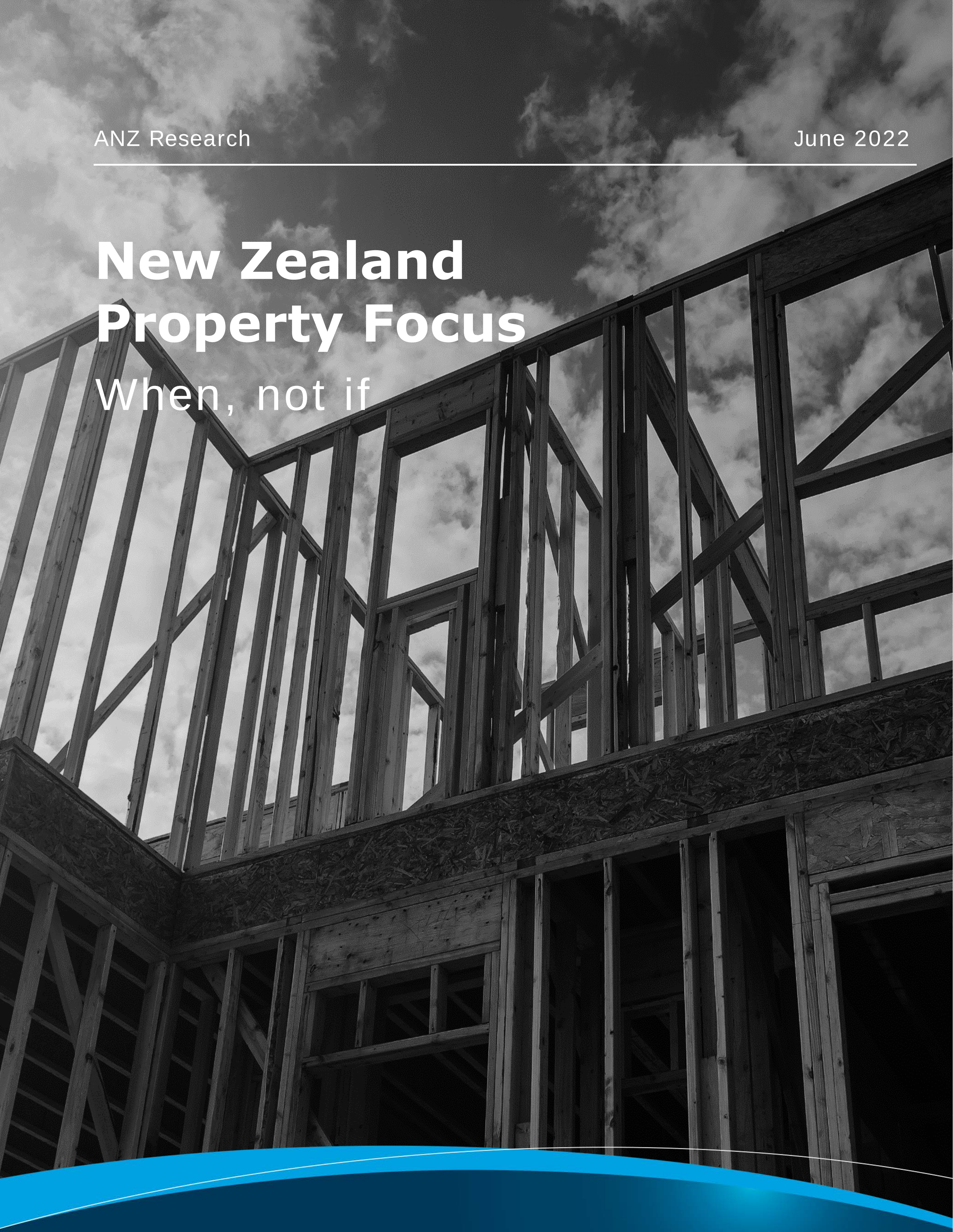
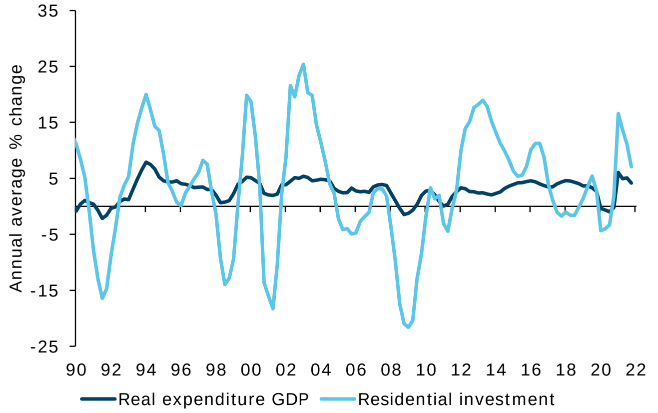
New Zealand Property Focus

When, not if

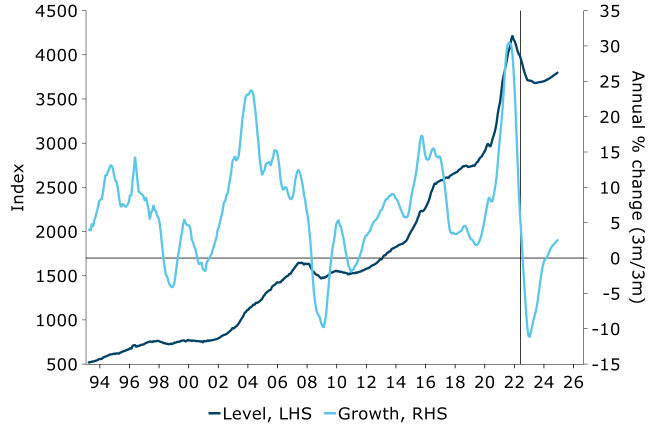


At a glance

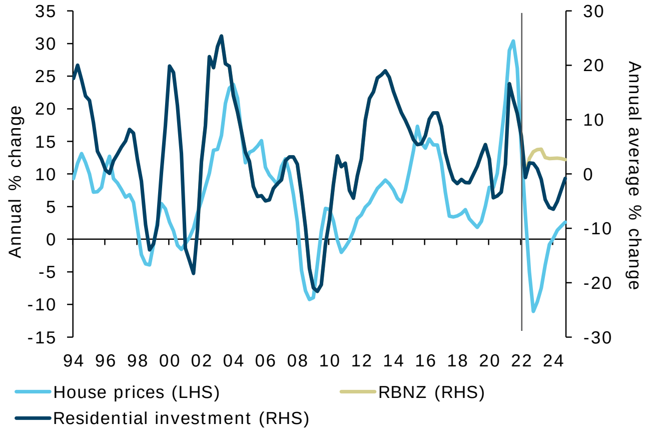
Residential investment tends to experience large cycles



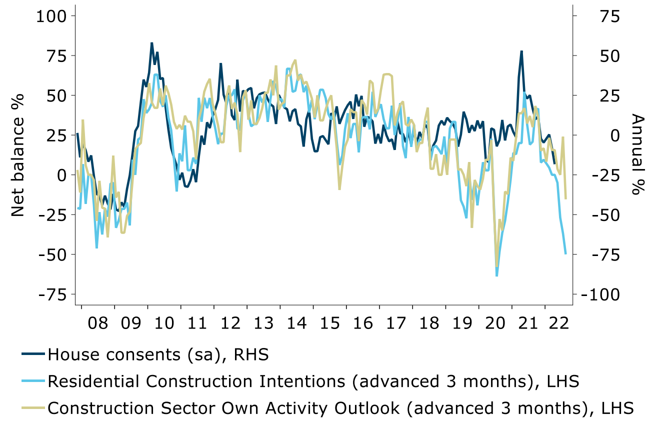
And as house prices continue to fall...



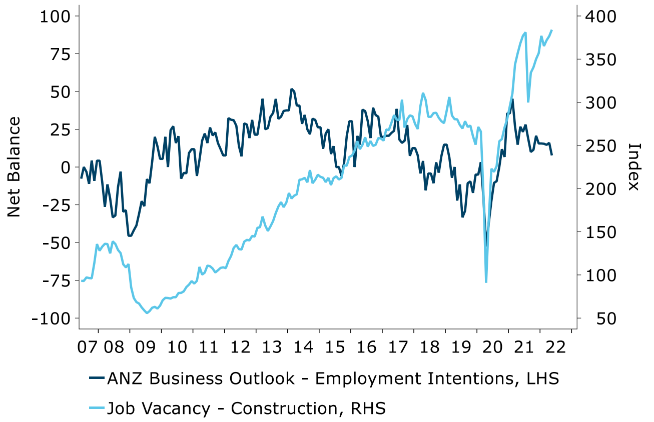
...building activity is expected to soften



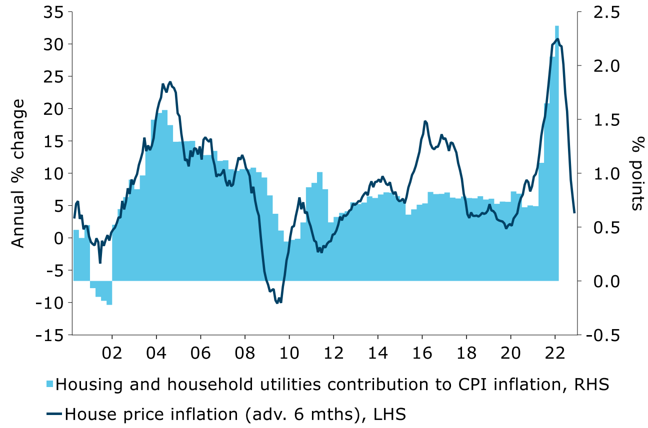
Residential construction firms are expecting slower times ahead...



...but continue to advertise for workers



Easing capacity pressures in residential construction will help slow CPI inflation



Source: Stats NZ, RBNZ, REINZ, MBIE, Macrobond, ANZ Research

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INSIDE

Confused by acronyms or jargon? See a glossary here.

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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

The housing market is continuing to cool, with May prices down 5.5% from their November 2021 peak (ANZ seasonal adjustment). And while we continue to forecast what we'd call a soft landing for house prices (falling 'only' 11% over 2022), risks of a larger fall are there. In particular, sharp increases in global interest rate expectations have flowed through into still-higher mortgage rates in New Zealand – and while getting on top of CPI inflation with higher policy rates is the optimal thing to do from a sustainable economy perspective, house prices are likely to face larger near term declines if upside interest rate risks continue to materialise. See our Market Overview.

Feature Article: When, not if

Residential investment is in the firing line as interest rates push higher to combat decades-high inflation, house prices fall, and shortages of both materials and labour continue to add uncertainty in the near term while limiting upside growth potential. In short, the calculus of building has shifted dramatically in the space of a few quarters and the stars are now aligned for an unwind. In fact, some indicators are already pointing sharply south, but it's difficult to diagnose whether this is more a story about constrained supply or waning demand. We think it's a mix of both, but come 2023 softer demand will be the dominant driver. See this month's Feature Article.

Mortgage borrowing strategy

Mortgage rates have risen sharply over the past month. This has taken the average 1-year special rate offered by the major banks up to 5.35%, and the average 5-year rate up to just below 7%. Mortgage rates around these levels were commonplace in the decade before COVID, and aren't particularly high in a historic comparison, but the pace of increases is unprecedented. The term structure of the mortgage curve remains steeply upward-sloping, making fixing for longer expensive. That's not new, but we are now at a point where breakevens are so high that one has to expect significant further rises in interest in order for fixing for 2 years or more to be worthwhile. That could happen, but financial markets are already factoring in big increases, and the hurdle for a nasty surprise is now pretty high. See our Mortgage Borrowing Strategy.

Housing market overview

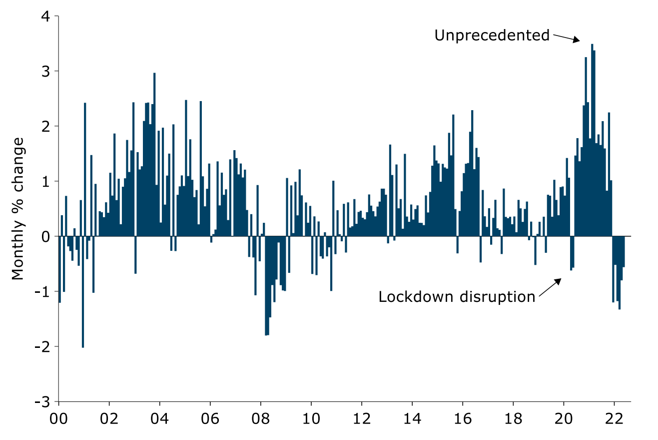
Summary

The housing market is continuing to cool, with May prices down 5.5% from their November 2021 peak (ANZ seasonal adjustment). And while we continue to forecast what we'd call a soft landing for house prices (falling 'only' 11% over 2022), risks of a larger fall are there. In particular, sharp increases in global interest rate expectations have flowed through into still-higher mortgage rates in New Zealand – and while getting on top of CPI inflation with higher policy rates is the optimal thing to do from a sustainable economy perspective, house prices are likely to face larger near term declines if upside interest rate risks continue to materialise.

Winter chills

A winter wind is well and truly sweeping through the housing market as we move through the middle of 2022. After falling 0.6% m/m in May (ANZ seasonal adjustment), house prices are now down 5.5% on their November 2021 peak (figure 1). That's six months in a row of moderate house price falls – not a crash by any means, but a reflection of the current (cooler) fundamentals of the market.

Figure 1. Monthly house price inflation (sa)

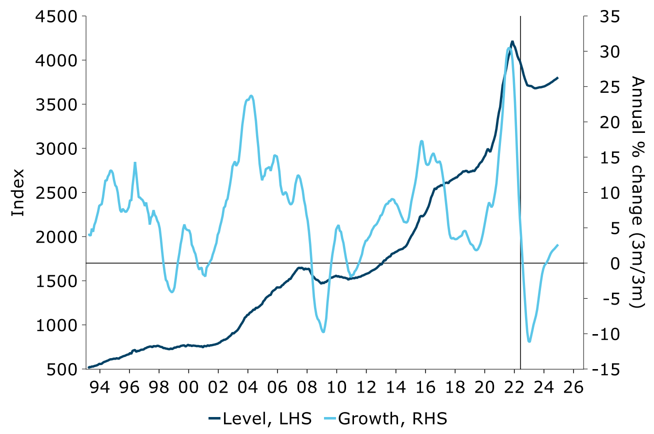


Source: REINZ, Macrobond, ANZ Research

Indicators of housing market tightness have continued to soften:

- Excluding 2020's lockdown, the number of house sales is at its lowest level since 2011.
- The median number of days it's taking to sell a house lifted two days to 41 in May – convincingly in the cool zone.
- The available stock of real estate listings is now up 84% on last May's (very low) lows. And that's not coming from a surge in new listings. Rather, as sales volumes fall away and auction clearance rates plummet, houses are simply remaining on the market for much longer than we saw during the red-hot 2021 boom.
- In May, house prices fell in every region except Otago and Southland (on a monthly basis).

Figure 2. ANZ house price forecast



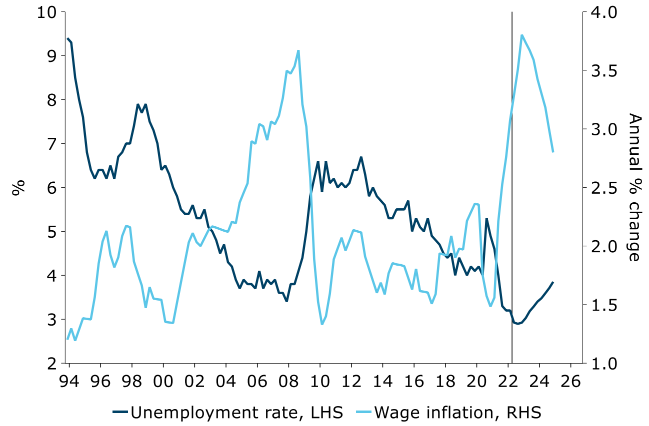
Source: REINZ, Macrobond, ANZ Research

The market is clearly cooling, and that winter chill is being felt across most regions – although not evenly. Wellington is leading the charge down at the moment, with prices down 7% y/y in May (see table, over).

Overall, developments since our last edition have been consistent with our expectation for further softening in the housing market over 2022. To the extent that it's possible in such a volatile and uncertain economic environment, we remain comfortable with our forecast for house prices to fall about 11% over 2022. In total, we are forecasting a roughly 12% decline from the November 2021 peak to the mid-2023 trough (figure 2). That's a slightly larger fall than during the global financial crisis (GFC), which saw prices down a total of 11% from mid-2007 to end-2008.

But 2022 is a very different environment from 2008. In particular, households are in much better shape. Unemployment is at a record low, wage growth is accelerating rapidly, and the key issue facing the economy is too much demand (rather than too little, as in the GFC). The tight labour market is a key support for the housing market, and is fundamental to the RBNZ's hopes for achieving a soft landing as they aggressively raise interest rates to tame rampant inflation. So long as people keep their jobs and wages continue to grow quickly, households should be able to make it through this period of steeply rising interest rates without being forced into selling their houses into a rapidly cooling market. It certainly won't be pleasant – our consumer confidence survey suggests people are miserable (a common global theme at the moment) – but if the labour market stays as strong as we're forecasting (figure 3), then the housing market should be in for a relatively soft landing.

Figure 3. ANZ wage growth and unemployment forecasts



Source: Stats NZ, Macrobond, ANZ Research

That's the good news. However, downside risks around this benign scenario continue to accumulate. Mortgage rates in particular are up again as global pressure on wholesale interest rates has flowed through to retail rates. There's been a significant reassessment of how much interest rate work global central banks will need to do to rein in inflation. The catalyst for this was US CPI inflation coming in at 8.6% y/y in May – higher than the 8.3% expected, and dashing the US Federal Reserve's hopes that inflation had peaked at 8.5% back in March. In response, the Fed hiked their policy interest rate by 75 basis points – three times the usual magnitude – and signalled that they were prepared to do so again should inflation continue to strengthen. These developments prompted a rapid recalibration of interest rate expectations in both there and here, with market pricing for the level of the OCR in October 2023 lifting to around 4¼% as of this week.

We continue to forecast that a softening domestic demand pulse over the second half of this year will mean the RBNZ won't need to lift the OCR above 3.5%. But for now, mortgage rates are having to ride the waves being generated by these global interest rate moves. With most fixed mortgage rates now (un)comfortably above 5%, but house prices still about 38% above their 2019 levels, risks are rising that higher interest rates will cause a more significant correction in house prices. For many people looking to buy a house, servicing a very large mortgage with these interest rates just won't be an option.

It's also worth noting that according to RBNZ data, almost 60% of outstanding mortgage borrowing is fixed for less than a year. Households who may have taken advantage of the record-low interest rates over 2021 will find it challenging to maintain the same level of discretionary spend when facing mortgage rates that could be more than double their previous fix. As noted above, we think they'll manage, and that should provide a floor under how far house prices will fall. But it will be at the expense of household consumption spending (ie GDP growth). That's a feature, not a bug, of tightening monetary policy.

Bringing it all together, the housing market is cooling convincingly. And risks are building that we could see a more substantial decline than expected. As markets revise up expectations for how far central banks may need to lift interest rates, it's sending domestic mortgage rates higher and higher. We're not forecasting the OCR to go as high as the market currently thinks – but even if the market-priced hikes are never actually delivered, these expectations are lifting mortgage rates now. And while getting on top if CPI inflation is undoubtedly the best strategy for the longer-run health of the broader economy, the more tightening needed (or expected), the more downwards pressure on house prices in the near term.

Housing market overview

Housing market indicators for May 2022 (based on REINZ data seasonally adjusted by ANZ Research)

	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	$732,915	6.5	-2.1	13.1	-1.2	156	-14%	41
Auckland	$1,137,044	-2.0	-5.9	0.8	-4.3	1,893	-1%	41
Waikato	$803,332	9.7	-0.8	8.4	-0.6	544	-1%	37
Bay of Plenty	$922,927	11.1	-0.7	8.7	-1.9	354	-3%	43
Gisborne	$679,236	6.8	1.9	2.7	-2.9	32	+4%	40
Hawke's Bay	$741,270	-0.1	-2.8	2.7	-2.9	151	-7%	42
Manawatu-Whanganui	$614,802	5.6	-1.6	0.9	-3.9	250	-6%	41
Taranaki	$645,491	18.9	4.0	8.3	-0.1	142	-11%	33
Wellington	$910,744	1.4	-3.6	-7.0	-7.0	514	+4%	48
Tasman, Nelson & Marlborough	$787,851	8.3	0.9			176	-19%	36
Canterbury	$693,664	18.3	1.0	16.6	-0.9	826	-7%	32
Otago	$729,018	7.8	-5.1	9.8	1.0	343	-3%	42
West Coast	$388,043	31.2	1.3	4.4	-1.1	37	+14%	24
Southland	$456,720	12.8	-0.7	11.9	-0.3	139	+29%	38
New Zealand	**$843,432**	**2.7**	**-3.5**	**3.8**	**-3.0**	**5,489**	**-6%**	**39**

Feature Article: When, not if

Summary

Residential investment is in the firing line as interest rates push higher to combat decades-high inflation, house prices fall, and shortages of both materials and labour continue to add uncertainty in the near term while limiting upside growth potential. In short, the calculus of building has shifted dramatically in the space of a few quarters and the stars are now aligned for an unwind. In fact, some indicators are already pointing sharply south, but it's difficult to diagnose whether this is more a story about constrained supply or waning demand. We think it's a mix of both, but come 2023 softer demand will be the dominant driver.

Is the NZ economy one big housing market?

Residential construction accounted for around 6.5% of real expenditure GDP in the year to March 2022, and a little less than that in the production measure of GDP. Factor in sky-high building cost inflation, and residential investment expressed in current prices (nominal expenditure GDP) has shot up to almost 9% of the economy (figure 1).

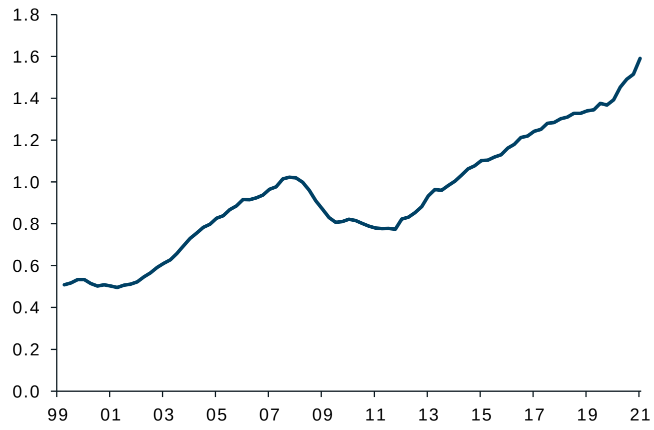
Figure 1. Residential construction share of real GDP

Source: Stats NZ, Macrobond, ANZ Research

So in a direct sense, it would be fair to say residential construction accounts for around 5% of economic activity (depending on how you measure it), and even more of total nominal expenditure. However, this estimate ignores residential construction-related industries such as electricity, gas, water and waste services (where we measure activity done by the likes of sparkies and plumbers), and residential construction-related manufacturing (building products). Add housing-related consumer spending in as well (eg the new house obviously needs a new washing machine), and your back of-the-envelope calculation estimating how much residential construction matters for broader economic activity could easily run into double digits. Indeed, it's not inconceivable to come up with a number as high as 20% of the economy when you factor in some of these indirect segments.

Another way to gauge the importance of residential construction is to look at how many people are employed in the industry. Again, the data here isn't as straightforward as you might hope. To get a sense of the share of the labour market directly exposed to residential construction (as opposed to total construction, which includes non-residential activity) let's start with the LEED filled jobs data. At 1.6% of total filled jobs as at March 2021 (the data are very lagged), the residential construction share has more than tripled over the past 20 years or so (figure 2).

Figure 2. Residential construction share of filled jobs (LEED)



Source: Stats NZ, ANZ Research

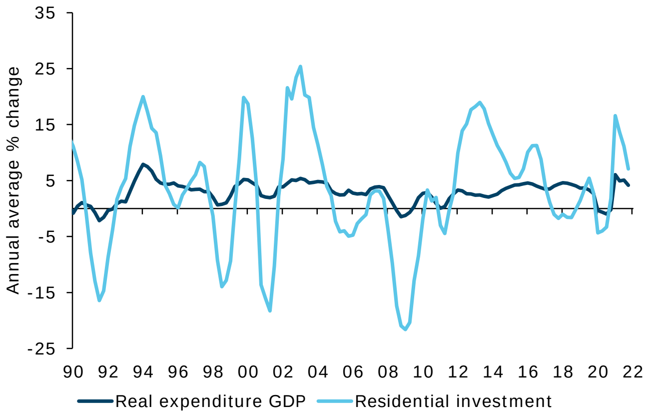
Now, if 1.6% sounds small to you, it is, and it almost certainly understates the true story. That's because these data only capture people earning a wage or salary in the industry – it excludes those who are self-employed. In the 2020 tax year (yes, an even greater lag in the available data), more than 80,000 people derived their main income by being self-employed in the construction industry. That's about 3% of total. And the majority of that is likely to be in residential construction.

To summarise, it would appear that residential construction directly accounts for around 5% of economic activity and around 4% of employment. But when you consider upstream and downstream industries it could be as high as 20% of the real economy. And even that excludes generalised household and business confidence impacts of the housing cycle (ie including housing wealth effects and house equity-withdrawal-facilitated spending – putting the new car on the mortgage). So while it's an exaggeration to say that the economy is one big housing market, it is fair to say that housing and residential construction can certainly move the dial when it comes to the economic cycle.

Big swings add to inflation

As well as being sizable, residential investment (like investment in general) is an area of the economy that tends to experience relatively outsized swings through the business cycle (figure 3). When residential investment gets going, it really gets going, and when it stops it can be just as dramatic.

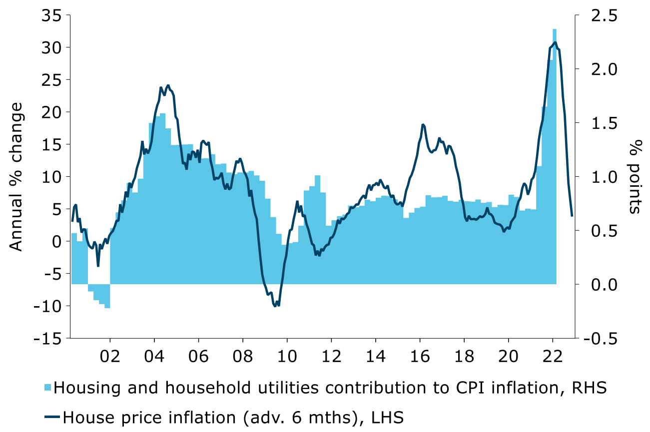
Figure 3. GDP vs residential investment growth



Source: Stats NZ, ANZ Research

Swings in residential construction, and the housing cycle more broadly, tend to also be associated with swings in prices. Home ownership (ie the cost of building a house excluding land) accounts for around 9% of the Consumers Price Index. Add rents to that and you're at almost 20% of the CPI basket. And as figure 4 shows, where the housing market goes, housing and household utilities CPI inflation tends to follow. In fact, of the 6.9% y/y increase in CPI inflation in Q1 2022, home ownership (up 18.3% y/y) contributed 1.6% points. The housing and household utilities group explains two thirds of non-tradable inflation – the part of inflation the Reserve Bank thinks it can actually do something about.

Figure 4. House prices and housing-related CPI



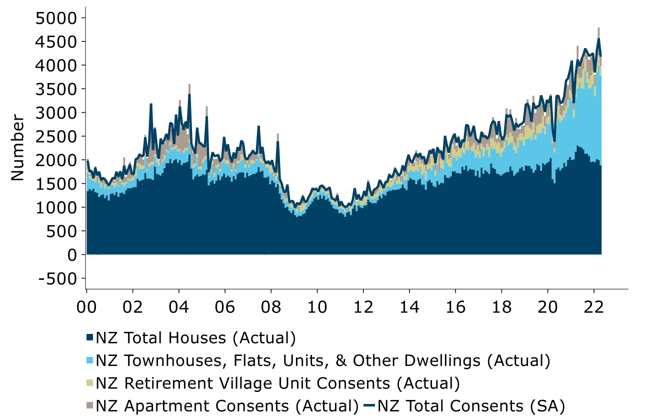
Source: Stats NZ, REINZ, Macrobond, ANZ Research

Clearly, housing and residential investment (alongside upstream, downstream, and broader confidence and wealth impacts) can have a lot to say about the broader direction for economic momentum and inflation. So that begs the question, where to from here, now that interest rates are rising and house prices are falling?

Residential construction indicators are softening

Let's start with the good news. Building consents are running at historically high levels, suggesting a lengthy pipeline of residential investment activity ahead. However, consents did fall 8.5% in April, and practically all the growth we've seen in consents since mid-2021 has been in multi-unit dwellings (figure 5). That's great news from a housing intensity perspective, but an industry concentrated in larger projects may be capable of turning faster if cancelations occur *en masse*.

Figure 5. Building consents



Source: Stats NZ, Macrobond, ANZ Research

There are a few big question marks over the consents data at present. Are consents holding up simply because councils are working through a backlog of requests? Is April's contraction just typical volatility (something you'd expect to increase as larger projects become a larger share)? How much of the recent topping out is demand driven vs supply driven?

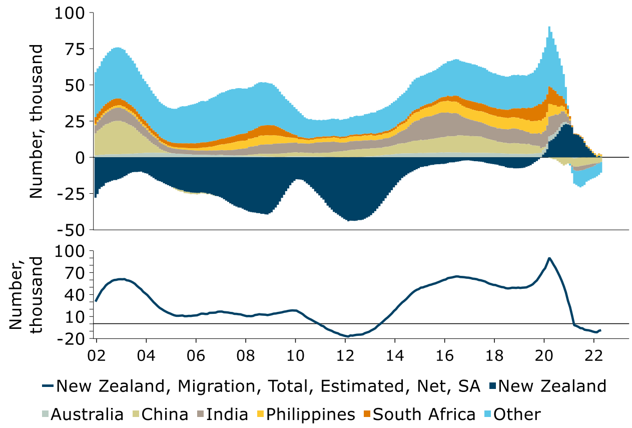
Regarding the latter question, there are strong arguments on both sides:

On the demand side:

- Interest rates are now more than double their post-pandemic low. Combine that with heightened uncertainty around securing materials and workers, the inability to get a fixed price contract, and the not insignificant matter of the finished product declining in value as you build, and it's fair to assume demand is not intensifying. Any kind of building project, small or large, looks riskier than six months ago.

- Population growth is significantly constrained by negative net migration flows (figure 6). And net migration of New Zealanders threatens to turn negative (given the strong Australian labour market) before we can plug the gap with migrants from elsewhere (as NZ has tended to do in the past).

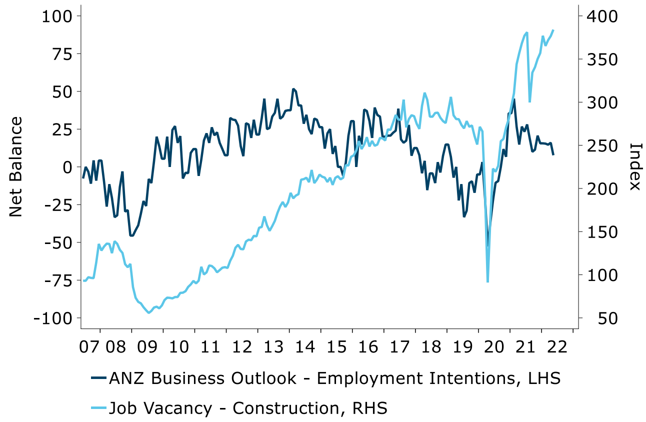
Figure 6. NZ net migration by country



Source: Stats NZ, Macrobond, ANZ Research

On the supply side, both labour and materials shortages are biting hard. Materials shortages are very well publicised at present (particularly plaster board), but with an unemployment rate of 3.2% combined with a near record-high participation rate, it would appear that the New Zealand economy has simply run out of labour to add to the operation. And in the absence of a robot-builder revolution, it would appear that labour is a very limiting factor for what's a rather labour-intensive industry. Looking at the current state of play, job ads in the construction industry (the closest we can get to residential construction) remain very high, suggesting demand for labour remains extremely strong. That said, construction businesses' reported employment intentions in our Business Outlook have been trending lower from its recent peak in early 2021 (figure 7).

Figure 7. Construction sector employment intentions and job ads

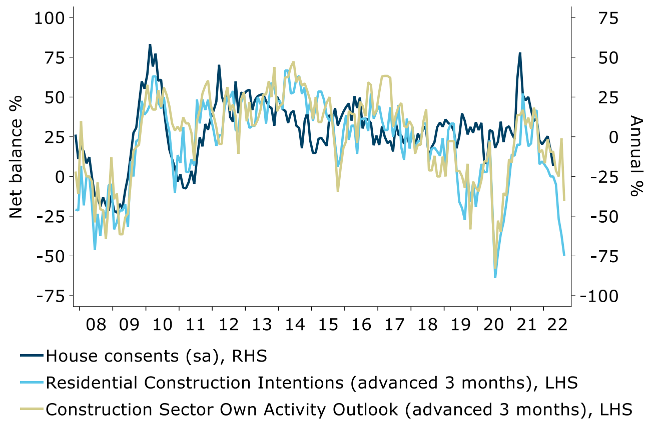


Source: MBIE, Macrobond, ANZ Research

We think employment intentions better reflect firms' intentions around total headcount, and with more firms still looking to increase employment than reduce it, the slipping trend here speaks more to a slowing (but still positive) growth rate than an all-out contraction (for now at least!). Conversely, job ads better capture firms looking to both add to headcount and replace workers that are moving between employers (ie completion between employers), and these numbers in the context of a very tight labour market suggest labour cost inflation remains very intense.

Residential construction intentions are one of the more worrying signals for the industry pulse right now, clearly showing that firms are expecting a slowdown – potentially a sharp one. And while the construction sector respondents' expectations for their own activity is holding up relatively higher (a broader activity measure), it's still in contractionary territory. That suggests housing consents will continue to trend lower over coming months (figure 8). However, while these data provide a decent steer on housing consents, they haven't provided a good signal on still-strong multi-unit dwelling consents.

Figure 8. ANZBO activity vs housing consents



Source: Stats NZ, Macrobond, ANZ Research

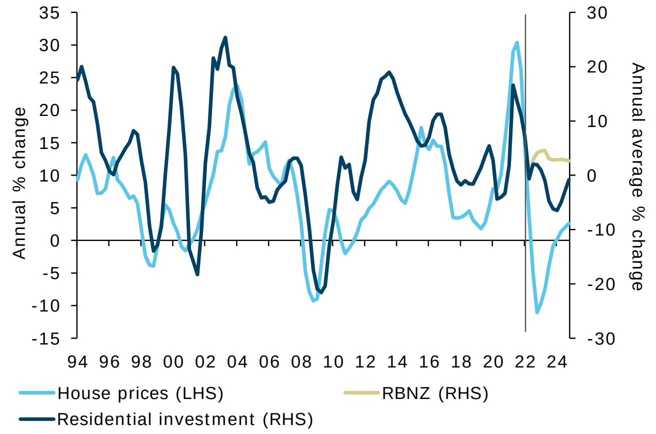
Before we get into the outlook for residential construction it's worth making one last, and very important point: New Zealand's housing deficit is on the edge of tipping into surplus. We touched on this last month, noting that an improved housing supply-demand balance is expected to take the pressure off house price inflation over the medium term. But more than that, it suggests that fundamental demand for housing (and therefore residential construction), could also have a different vibe to it compared to the past decade or so. As already alluded to, migration-driven population changes could have a lot to say in the housing supply vs demand space over the medium term. Should we see a net outflow, we could very well be concluding this time next year that New Zealand has an oversupply of houses! That's something the housing market hasn't seen in a long time.

The path to sustainable growth probably includes some shrinkage in residential construction

Bringing it all together, we think residential construction activity is close to topping out (if it hasn't already). There simply isn't enough economic resource available for it to grow much more, and any light at the end of the migration and building materials tunnel seems months away. And by then, the demand impulse (largely on the back of higher interest rates) will likely feel very different. While our forecast is for the overall level of activity to remain high by historical standards, we think there is a period of contraction on the cards.

Overall, we have pencilled in around a 6% contraction in residential investment activity over 2023, which relative to previous cycles can very much be thought of as a soft landing (figure 9). You only have to look at the chart to see the downside risk. However, while benign, this is a significantly weaker forecast than the RBNZ's May MPS, and one of the reasons why we think the OCR will top out at just 3.5% opposed to the near-4% signalled by the RBNZ, and the over-4% peak currently priced in by the market.

Figure 9. House prices and residential investment



Source: Stats NZ, REINZ, RBNZ, ANZ Research

So does negative growth in residential investment signal a looming recession? In short, it's not a lock, but it certainly raises the risk. History tells us that residential construction activity can contract without pushing headline GDP into negative territory. At the end of the day, whether or not New Zealand enters a recession is very likely to depend on how households hold up through this. Provided the labour market broadly holds it together (we do expect some loosening), and inflation eventually slows to below the pace of household incomes once again, we think it is possible for private consumption to keep headline GDP growth afloat. But it really is a line ball call, and if households begin to question their job security, they could end up tightening their belts significantly, following through with their current stated opinions that it's not a good time to be spending.

At the end of the day, New Zealand isn't just one big housing market, but it's sure felt like it the last couple of years. Housing is an important driver of residential investment activity and the broader economic cycle. Right now, the RBNZ is looking to engineer a soft landing and dampen the inflation fire down before it truly gets out of hand, and the housing market and the residential construction sector will be a big part of how that's achieved. We suspect it'll happen a bit quicker than the RBNZ expects, but it's just a question of timing. The RBNZ is will keep going until house prices fall more and construction cools significantly, as it's a key part of getting on top of the broader inflation problem. It's a question of when, not if.

Mortgage borrowing strategy

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Summary

Mortgage rates have risen sharply over the past month. This has taken the average 1-year special rate offered by the major banks up to 5.35%, and the average 5-year rate up to just above 6.6%. Mortgage rates around these levels were commonplace in the decade before COVID, and aren't particularly high in a historic comparison, but the pace of increases is unprecedented. The term structure of the mortgage curve remains steeply upward-sloping, making fixing for longer expensive. That's not new, but we are now at a point where breakevens are so high that one has to expect significant further rises in interest rates in order for fixing for 2 years or more to be worthwhile. That could happen, but financial markets are already factoring in big increases, and the hurdle for a nasty surprise is now pretty high.

Average mortgage rates offered by the "big-4" banks are up significantly this month, with unprecedented monthly rises seen in floating, 6-month and 1-year rates. And it is this aspect of the current mortgage environment – the pace of increases – that is likely to be causing the most consternation for borrowers. Mortgage rates aren't particularly high in a historic comparison; 1 and 3-year rates are actually below their 2005-2019 averages of 6.14% and 6.55% respectively. But this is the fastest 6-month increase in mortgage rates since at least 2005 (when reliable data starts). And that's happening at a time when household debt is at record levels relative to income. Given that, it's no wonder the housing market is on a knife edge.

All of this has come about as a result of dramatic rises in wholesale ("swap") interest rates, off which mortgage rates are priced. Swap rates are sensitive to market expectations of future monetary policy. And while there is no mechanical link between what the US Federal Reserve does and what the Reserve Bank of New Zealand does, local financial markets started to price in the risk of more OCR hikes here in the wake of the US Federal Reserve's 0.75% hike earlier in June.

Market nervousness has died down since the peak of the mayhem early this month, but even now, after the proverbial dust has settled, the term structure of swap rates implies that markets expect the OCR to rise to about 4¼% over the next year or so. That is a lot higher than the 3½% peak we have in our forecasts. And that is both a blessing and a curse, as it were. On the one hand, this blowout in market expectations is what has driven mortgage rates higher (and clearly won't be welcome news for borrowers). But on the other hand, having overshot ours and most other forecasters' expectations (and the RBNZ's own projections), there is less scope for significant further increases. If there's any potential good news, that's it.

As the OCR goes higher, the floating rate and even 1 and 2-year rates may drift a little higher, but as time passes, if market expectations for OCR hikes do prove to be excessive, swap rates have scope to fall. But even if they don't, it is looking increasingly like breakeven mortgage rates (which are akin to a forward interest rate) have peaked, or are close to it. If that is the case, from a purely financial standpoint, it's questionable whether it is worth paying more to fix for 2 years or more. Of course, in an uncertain world certainty itself has value, as does the risk reduction achieved by staggering fixed rate expiry dates. But given how much is already built in, one has to implicitly expect mortgage rates to rise by a lot more than we are forecasting in order to make fixing for longer the cheapest option in the long run. We thus feel that the hurdle for a nasty surprise is pretty high.

Of course, it is possible that credit markets deteriorate, making bank funding conditions more difficult, and that could add upward pressure to mortgage rates. Inflation may also persist for longer, necessitating larger OCR increases, which would impact mortgage rates. But equally, if the economy does sour, the OCR might not need to rise by as much, or even fall. So it's a matter of trying to be balanced when questioning the outlook.

Figure 1. Carded special mortgage rates^

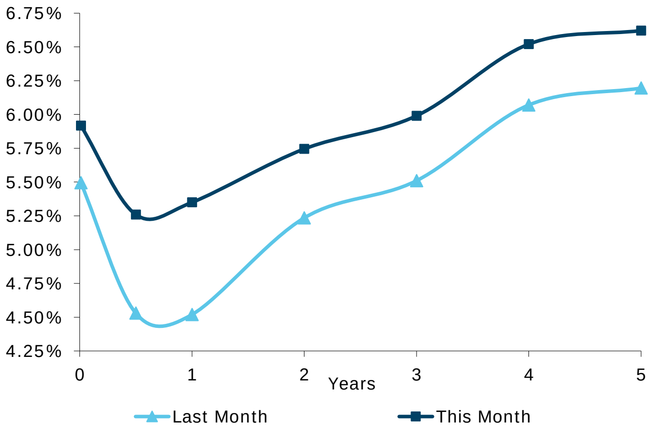

Table 1. Special Mortgage Rates

Term	Current	Breakevens for 20%+ equity borrowers in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	5.92%				
6 months	5.26%	5.44%	6.16%	6.12%	6.36%
1 year	5.35%	5.80%	6.14%	6.24%	6.48%
2 years	5.75%	6.02%	6.31%	6.73%	7.30%
3 years	5.99%	6.42%	6.91%	7.05%	7.20%
4 years	6.52%	6.73%	6.94%		
5 years	6.62%	#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 (%)													
	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50	7.75
200	256	263	270	276	283	290	297	304	311	319	326	333	341	348
250	320	329	337	345	354	363	371	380	389	398	407	417	426	435
300	385	394	404	415	425	435	446	456	467	478	489	500	511	522
350	449	460	472	484	496	508	520	532	545	558	570	583	596	610
400	513	526	539	553	566	580	594	608	623	637	652	667	682	697
450	577	592	607	622	637	653	669	684	701	717	733	750	767	784
500	641	657	674	691	708	725	743	761	778	797	815	833	852	871
550	705	723	741	760	779	798	817	837	856	876	896	917	937	958
600	769	789	809	829	850	870	891	913	934	956	978	1,000	1,022	1,045
650	833	854	876	898	920	943	966	989	1,012	1,036	1,059	1,083	1,108	1,132
700	897	920	944	967	991	1,015	1,040	1,065	1,090	1,115	1,141	1,167	1,193	1,219
750	961	986	1,011	1,036	1,062	1,088	1,114	1,141	1,168	1,195	1,222	1,250	1,278	1,306
800	1,025	1,052	1,078	1,105	1,133	1,160	1,188	1,217	1,246	1,274	1,304	1,333	1,363	1,393
850	1,089	1,117	1,146	1,174	1,204	1,233	1,263	1,293	1,323	1,354	1,385	1,417	1,448	1,480
900	1,154	1,183	1,213	1,244	1,274	1,306	1,337	1,369	1,401	1,434	1,467	1,500	1,534	1,567
950	1,218	1,249	1,281	1,313	1,345	1,378	1,411	1,445	1,479	1,513	1,548	1,583	1,619	1,655
1000	1,282	1,315	1,348	1,382	1,416	1,451	1,486	1,521	1,557	1,593	1,630	1,667	1,704	1,742

Mortgage rate projections (historic rates are special rates; projections based on ANZ's wholesale rate forecasts)

	Actual			Projections						
Interest rates	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Floating Mortgage Rate	4.5	4.9	5.1	5.9	7.0	7.6	7.6	7.6	7.6	7.6
1-Yr Fixed Mortgage Rate	2.7	3.6	3.9	5.4	5.3	5.1	5.1	5.1	5.0	4.9
2-Yr Fixed Mortgage Rate	3.1	4.3	4.5	5.8	5.8	5.5	5.1	5.1	4.9	4.9
5-Yr Fixed Mortgage Rate	4.0	4.9	5.1	6.6	6.7	6.3	6.0	6.0	5.8	5.7

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
GDP (Annual % Chg)	-0.2	3.1	1.2	0.3	4.8	2.7	3.4	2.0	1.7	1.0
CPI Inflation (Annual % Chg)	4.9	5.9	6.9	7.0	6.4	5.8	4.6	3.9	3.0	2.5
Unemployment Rate (%)	3.3	3.2	3.2	2.9	2.9	2.9	3.0	3.2	3.3	3.4
House Prices (Quarter % Chg)	5.2	3.6	-2.2	-2.8	-3.5	-2.9	-0.5	-0.6	0.1	0.2
House Prices (Annual % Chg)	30.4	26.2	14.1	3.6	-5.0	-11.0	-9.5	-7.4	-3.8	-0.8

Interest rates	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Cash Rate	0.25	0.75	1.00	2.00	3.00	3.50	3.50	3.50	3.50	3.50
90-Day Bank Bill Rate	0.65	0.97	1.61	2.93	3.52	3.60	3.60	3.60	3.60	3.60
10-Year Bond	2.09	2.39	3.22	4.25	4.40	4.25	4.10	4.00	3.80	3.70

Source: ANZ Research, Statistics NZ, RBNZ, REINZ

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