ANZ Research

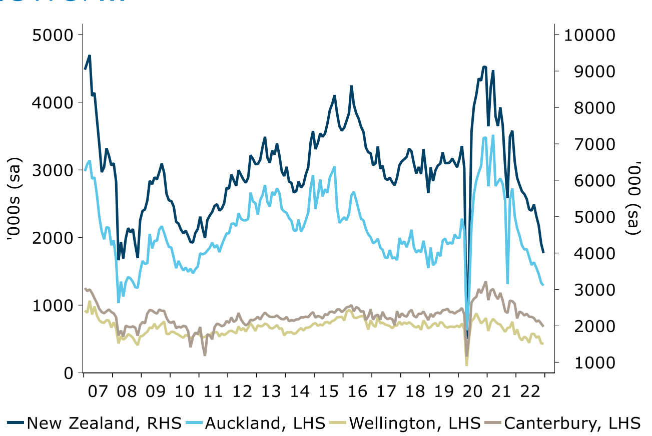
January 2023

New Zealand Property Focus

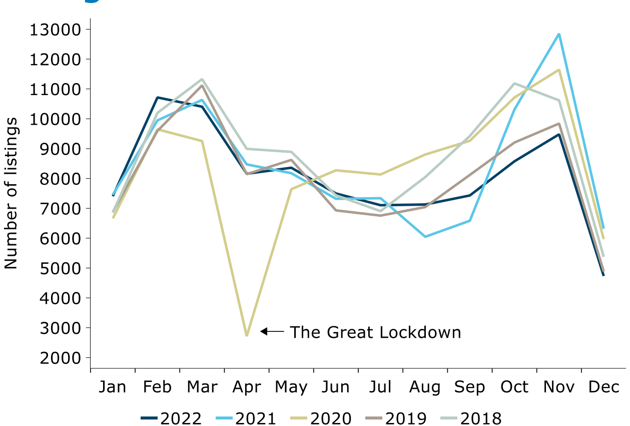
Key themes for 2023

At a glance

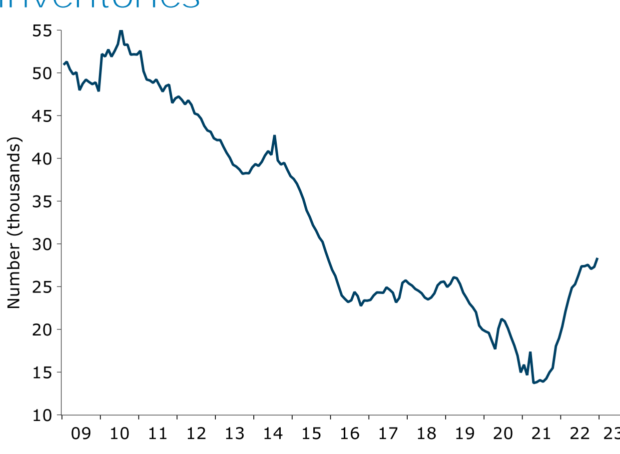
House sales continue to trend lower…



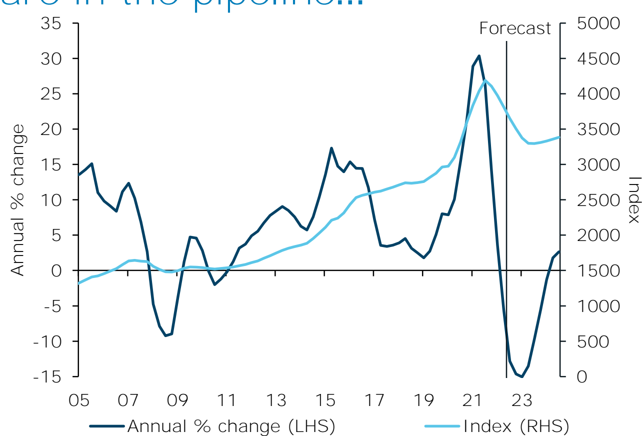
…which, despite weak new listings…



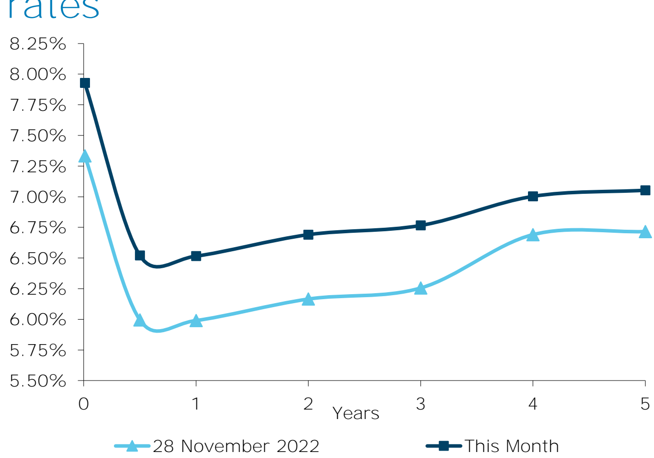
…is putting upwards pressure on inventories



That suggests more price declines are in the pipeline…



…consistent with higher mortgage rates



Key macroeconomic themes to watch in 2023 include:

The end of rate hikes, and the outlook for core inflation

Robustness of the household sector as monetary tightening bites

Housing policy and election inertia

Net migration surprises

Source: Stats NZ, RBNZ, REINZ, Realestate.co.nz, BIS, Macrobond, ANZ Research

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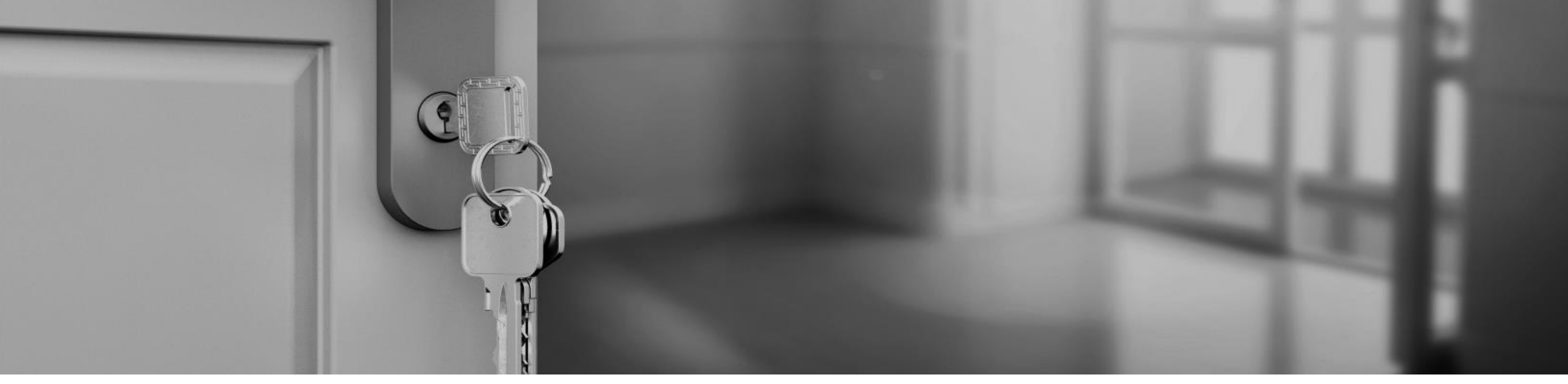

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Summary

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

Property Focus

As 2023 gets underway there isn't a lot of new news to report in terms of the housing market pulse. At this early stage, the hawkish November MPS does not appear to have caused the market to fall out of bed – the housing correction has remained pretty orderly. Further price declines are expected as supply and demand dynamics continue to swing in favour of buyers, but at the same time there isn't much evidence to suggest sellers are getting desperate. That may change, of course, as the economy slows and labour demand follows suit, but unlike past downturns (such as the Global Financial Crisis), the looming recession is highly anticipated. That, combined with the fact that bank lending became a lot more prudent following the GFC, suggests households will weather the downturn better than otherwise. But we (and the RBNZ) will be keeping an eye out for any evidence there could be a harder landing across the household sector than expected. See our Property Focus.

Feature Article: Key themes for 2023

In our first edition for 2023, we take a look at the key macroeconomic themes for the year ahead that will matter for the housing market. The economy is clearly softening, and over coming months, the RBNZ Monetary Policy Committee will need to make a call regarding when they have cooled things sufficiently to knock wage-price spiral risks on the head, allowing them to sit back and "watch, worry and wait". All else equal, the end of rate hikes should quickly be followed by an end to house price declines, but that's assuming the household sector broadly holds it together and forced house sales don't pick up meaningfully. The wobbly global economy could always throw us a curve ball; housing policy changes and/or a significant net migration surprise could alter the landscape at the margin too. Forecast uncertainty remains elevated so we'll need to remain nimble. See our Feature Article.

Mortgage borrowing strategy

Mortgage rates are up across the board compared to November, when our last edition of the Property Focus was published. These rises occurred in the wake of the RBNZ's super-sized 75bp OCR hike in November, which drove wholesale interest rates up sharply. From here the outlook for mortgage rates is more balanced compared to last year. On one hand, recent falls in wholesale interest rates from late-2022 highs points to scope for mortgage rates to drop back a touch, even if just in the fixed terms where competition is more intense, especially with credit growth slowing. But on the other hand, the RBNZ's fight against inflation isn't over yet. What that means is that while the worst may be behind us (in terms of lifting mortgage rates), it is likely to be some time before we see a meaningful fall. At this point in the cycle, fixing is more about risk management and smoothing interest costs, rather than "getting in" before rates rise. Against that yardstick, spreading fixed across a mix of 6mth, 1yr, 2yr and 3yrs makes sense, especially as all are well below floating, with not much separating them. See our Mortgage Borrowing Strategy.

Property Focus

Summary

As 2023 gets underway **there isn't a lot of new news** to report in terms of the housing market pulse. At this early stage, the hawkish November MPS does not appear to have caused the market to fall out of bed – the housing correction has remained pretty orderly. Further price declines are expected as supply and demand dynamics continue to swing in favour of **buyers, but at the same time there isn't much** evidence to suggest sellers are getting desperate. That may change, of course, as the economy slows and labour demand follows suit, but unlike past downturns (such as the Global Financial Crisis), the looming recession is highly anticipated. That, combined with the fact that bank lending became a lot more prudent following the GFC, suggests households will weather the downturn better than otherwise. But we (and the RBNZ) will be keeping an eye out for any evidence of a harder landing across the household sector than expected.

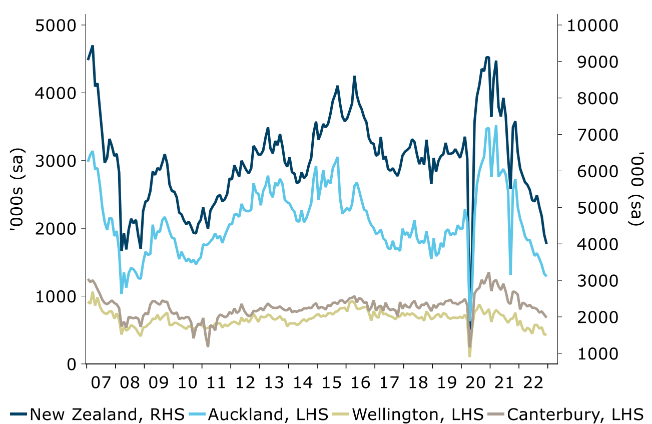
Unlucky for some…

The REINZ HPI shows house prices finished 2022 around 15% below their November 2021 peak – **that's 13 months of back**-to-back declines, putting the market around two thirds of the way through our forecast for a 22% peak to trough decline. **We're** comfortable that risks around our forecast are fairly balanced, but as we note in our feature article, 2023 still has plenty of potential to throw us a few curve balls.

The December housing data certainly suggested more price declines are looming as 2023 gets underway:

- House sales, which tend to lead prices by a few months, fell 6.2% m/m, with the trend still clearly southbound.

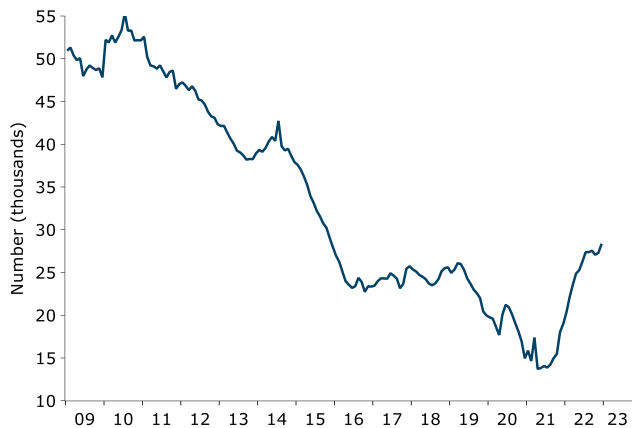
Figure 1. House sales



Source: REINZ, Macrobond, ANZ Research

- As sales fall, the number of properties available for sale continues to rise, meaning greater competition for those selling, and more options for those looking to buy.

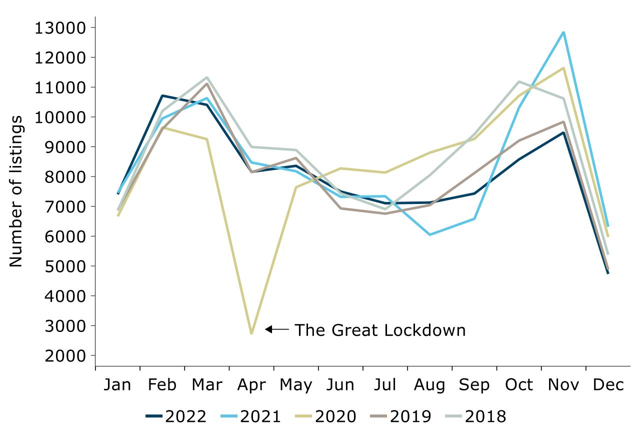
Figure 2. Properties available for sale



Source: realestate.co.nz, Macrobond, ANZ Research

- This lift in available properties for sale comes even as new listings over the spring/summer period has so far undershot the past few years.

Figure 3. New listings



Source: REINZ, Macrobond, ANZ Research

All in all, the December housing data was practically a straight flush when it comes to the housing market pulse: momentum is still softening. Given the direction of travel in mortgage rates these past few months, that should hardly come as a surprise. But while downwards momentum continued**, it didn't** appear to accelerate following the hawkish November Monetary Policy Statement. Of course, we might not be out of the woods just yet. With housing activity seasonally low over the December-January holiday **period, perhaps it'll be February**-March before we know for sure whether or not the November MPS has sent the housing market into a tailspin. But in the absence of a material pick-up in forced house sales, **we're hopeful that the correction** underway will

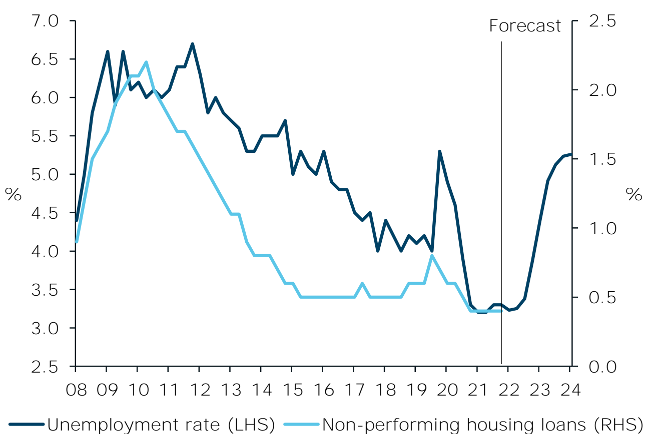
remain relatively orderly. Indeed, with prices down *just* 15% so far, we're still very much in the soft-landing zone given prices lifted more than 45% in the wake of the pandemic stimulus.

As at December, prices were back to February 2021 levels, suggesting there will be very few people out there in a negative equity position. But there are pockets of the country where this will be more prevalent. Wellington remains the weakest spot, with prices down 22% from their October 2021 peak. And with Wellington prices only just above their October 2020 levels as at December, that's more than two years of (excessive) house price rises wiped out. For context, the Wellington HPI remains about 15% above its pre-pandemic (December 2019) level. We discussed some of the factors behind regional divergences in our October edition, noting that while some of this reflects fundamentals (such as population growth), some of it appears to be a timing story, meaning we are expecting some regional 'catch-down', and for the current under-performing regions (chiefly Wellington, followed by Auckland) to be among the first to find that eventual floor in 2023. As at December, there was no evidence that the floor is here.

Clearly, higher mortgage rates are dampening demand for housing, and as OCR hikes come to an end over the coming months (which is very dependent on the inflation outlook – see our feature article), this driver of downside momentum is expected to dissipate. Thereafter, the health of the household sector will determine if the housing downswing still has further to go or if it's finally petering out – our forecast assumes the market finds a floor in the second half of 2023.

Current gauges of the household sector are a little mixed. Private consumption is certainly slowing, particularly for relatively discretionary durable goods, and consumer sentiment is very weak. Meanwhile, the unemployment rate remains low and non-performing loans data produced by the RBNZ remains low and stable (figure 4).

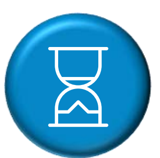
Figure 4. Non-performing housing loans and unemployment rate



Source: RBNZ, Stats NZ, ANZ Research

However, business survey data and job ads suggests labour demand is indeed softening (consistent with our expectation that the unemployment rate will rise). As that happens, we do expect some households to struggle, but given bank lending since the Global Financial Crisis has been more prudent (eg following the introduction of LVR restrictions), this will hopefully mean any uplift in non-performing loans is contained. But we (and the RBNZ) will be watching closely as we try to gauge just how hard higher interest rates are biting.

Bringing it all together, we are comfortable that risks around our forecast for a 22% decline in house prices are balanced. But that's not to say we'd be surprised to be surprised at some point in 2023. While downside risks to our OCR call are emerging, downside risks to the household sector are too.



Housing market overview

Housing market indicators for December 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	$752,820	3.0	3.5	-7.3	-2.9	88	-32%	50
Auckland	$1,028,998	-18.1	-4.4	-17.4	-4.6	1,290	-3%	43
Waikato	$739,633	-11.8	-3.7	-9.5	-3.9	379	-6%	60
Bay of Plenty	$861,699	-4.9	-3.7	-12.0	-4.5	250	-3%	60
Gisborne	$567,081	-17.3	-1.2	-13.8	-3.9	20	-1%	52
Hawke's Bay	$685,101	-14.2	-5.9	-13.8	-3.9	142	+5%	54
Manawatu-Whanganui	$553,097	-14.0	-3.1	-14.5	-3.9	227	+9%	49
Taranaki	$614,236	5.4	-5.2	-3.8	-2.3	116	+9%	39
Wellington	$773,026	-20.3	-4.4	-21.6	-5.3	430	-1%	51
Tasman, Nelson & Marlborough	$735,174	-7.6	-1.9			150	+2%	53
Canterbury	$647,449	-3.6	-3.3	-5.7	-2.5	682	-6%	37
Otago	$678,274	-5.5	-2.0	-6.7	-2.2	223	-15%	49
West Coast	$350,902	-0.2	5.5	-5.4	-1.3	26	-22%	44
Southland	$432,406	-4.7	-0.2	-3.0	0.3	106	-4%	43
New Zealand	**$784,621**	**-12.3**	**-3.3**	**-13.8**	**-4.3**	**3,999**	**-6%**	**48**

Feature Article: Key themes for 2023

Summary

In our first edition for 2023, we take a look at the key macroeconomic themes for the year ahead that will matter for the housing market. The economy is clearly softening, and over coming months, the RBNZ Monetary Policy Committee will need to make a call regarding when they have cooled things sufficiently to knock wage-price spiral risks on the head, allowing them to sit back and "watch, worry and wait". All else equal, the end of rate hikes should quickly be followed by an end to house price declines, but that's assuming the household sector broadly holds it together and forced house sales don't pick up meaningfully. The wobbly global economy could always throw us a curve ball; housing policy changes and/or a significant net migration surprise could alter the landscape at the margin too. Forecast uncertainty remains elevated so we'll need to remain nimble.

Sorry folks, but 2023 isn't going to be any easier to forecast than the past few years have been. For one thing, the pandemic (and the policy response to it) may have created some structural changes in the economy that we do not yet fully understand. And even parking that, the cyclical backdrop is like nothing we've experienced: the looming recession is both policy-induced (ie deliberate) and well anticipated. The more typical state of affairs at the end of a business cycle is that recession comes out of left field; you only find out it's coming when you're half-way through it; and policy promptly leaps into action, easing rates to try to minimise the hit. The backdrop of entrenched high inflation potentially changes the game on all those fronts.

The 'normalisation' of the economy away from housing-centric excess domestic demand towards a reopening border and higher services export earnings has only just begun. Pent-up demand for international travel needs to be worked through as supply capacity by NZ tourism operators recovers, but the weakening global economy suggests the underlying demand pulse once the dust has settled may not be particularly strong.

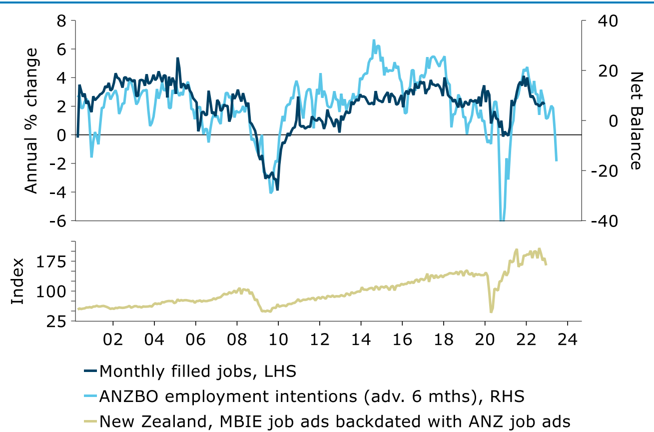
The bottom line: the outlook remains highly uncertain, but the RBNZ needs to keep the pressure on until it is convinced that supply-demand dynamics in the labour market are less inflationary and more sustainable. But as is always the case, no two economic cycles are the same, and long and variable lags make it difficult (read: impossible) to prescribe the 'perfect' policy response. There are risks that could see the RBNZ hike by more than expected (eg a rebound in global inflation pressures), and also risks that the RBNZ will over-tighten, or indeed has already done so (eg if the shock value of the November MPS causes a step-change in decision-making).

And of course even if we're right about the broad outlook for the economy and interest rates, there are still potential housing policy changes that could move the dial.

Theme one: interest rates to stop rising once the RBNZ is convinced inflation has been beaten into submission

Monetary tightening is working! That was obvious as soon as asset prices (eg house prices) and confidence started to turn. The next two phases of the monetary policy transmission are softening domestic economic activity (well underway) and then, weaker CPI inflation pressures (including via a looser labour market). Data are now confirming phase three has started. And importantly, it is suggesting that the wage-price spiral's days are likely numbered. Employment intentions in our Business Outlook survey recently turned negative, growth in filled jobs has slowed, and job ads have come off the boil (figure 1).

Figure 1. High frequency labour market indicators



Source: Stats NZ, Macrobond, ANZ Research

But while momentum is turning, the labour market is still very much in the inflationary zone. Businesses continue to report that finding labour is their biggest problem (though this is slowly receding); and the unemployment rate is still around record lows.

At some point in the not-too-distant future, the loosening trajectory in the labour market, if sustained, will convince the RBNZ that pipeline core CPI inflation is under control. And that will mean an end to rate hikes, and a transition from the RBNZ's current strategy of full-on inflation fighting mode to "watch, worry and wait" mode. At that point, the next move in the OCR could be a cut (ie the tightening delivered has been sufficient), or it could be a hike (if inflation is still looking too high after the full impacts of tightening have washed through the economy).

For the housing market, interest rate changes have been in the driver's seat when it comes to house prices. That's why the rates outlook (and drivers of it) is key macro theme #1 for housing in 2023. At present, our forecast is for the RBNZ to stop hiking at 5.75%, but gauges of economic sentiment (both businesses and households) suggest there could be a sharper economic downturn unfolding than expected. Confidence down-spirals can be very potent drivers of the economic cycle, and could see household demand and demand for labour contract by more than expected. If so, the OCR may well not make it to 5.75%. But depending on the state of the household sector, a pause in hikes may or may not put an immediate halt to house price declines.

Theme two: a still-robust household sector?

Theme one assumes the household sector broadly holds it together through the tightening cycle. Job losses are expected in 2023, but not to the extent that this leads to forced house sales en masse and a 'hard landing' in the housing market – although more households than expected getting into trouble is certainly a possibility.

Top of the pops for downside housing market risks is a household income shock – that could simply be the result of monetary tightening reducing employment more than expected. Or it could be something much nastier, such as a crisis of confidence, the manifestation of global financial market risks, geopolitical events, a natural disaster, pandemic risks, a combination of the above or something else entirely. But the bottom line is if household incomes deteriorate materially more than we expect, hard choices will need to be made, particularly by households with significant debt.

It's worth noting that if the OCR is eventually cut in response to such a risk materialising (something that will only happen if the outlook is turning disinflationary), we couldn't be confident that the *immediate* impact on the housing market would be positive. Yes, interest rate changes have been a fundamental driver of house prices of late, but that's because household incomes (in aggregate) never really took a hit in the wake of lockdowns – the Government took that one on the chin for us to pay off later. If unemployment is rising sharply, the impact of that on the housing market could well outweigh the benefits of lower interest rates. In short: be careful what you wish for.

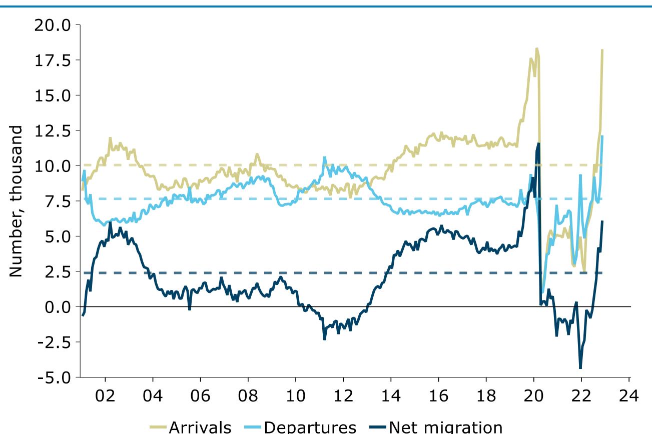
All up, while the household sector is expected to weaken over 2023, the hard-landing scenario for the housing market, where prices fall below 2019 (pre pandemic) levels by a decent clip, would likely lead to the household sector losing its "robust" moniker.

Wealth effects and the freak-out factor are hard to quantify but would likely be significant, particularly since this scenario is predicated on something else unpleasant going on. It's not our forecast, but it could happen – either owing to a mis-calibration of monetary tightening efficacy, or some unforeseeable nasty risks materialising.

Theme three: migration is back on the chessboard

With the borders open, migration data is getting interesting. And the latest cut (if you ignore the fact that this data is prone to significant revision) suggests the cycle is turning higher quickly. Arrivals, departures, and net migration were all well above their 20-year average in November 2022 (figure 2), and if that doesn't get revised away in future releases and this strength persists, there could be more fundamental housing demand over 2023 than we're assuming.

Figure 2. Monthly migration flows



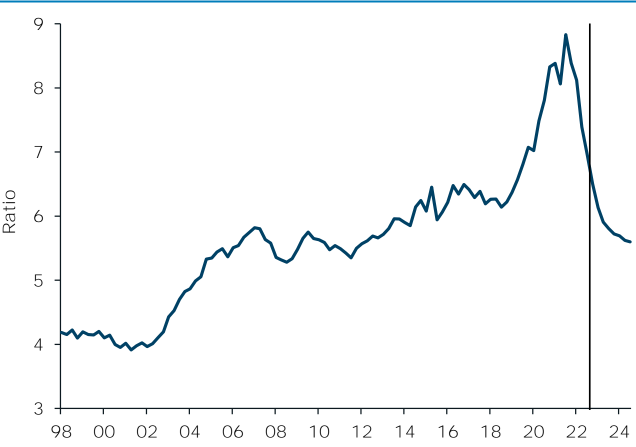
Source: Stats NZ, Macrobond, ANZ Research

Migration cycles are notoriously difficult to forecast. Our forecast has net migration ending the year at a net inflow of 20,000 – slightly lower than its 20-year average of a little over 25,000. Given historical correlations, and everything else that's going on in the housing market, a positive surprise of a few thousand net migrants over 2023 wouldn't be a game changer for the housing outlook, and certainly wouldn't be expected to fully offset further interest rate hikes. But it could take some of the heat out of wage growth, reducing wage-price spiral risks, and the combination of significantly higher net migration and lower interest rates than expected (assuming the household sector holds it together) could be meaningful. Certainly over the longer run, migration flows can move the dial. That means we not only need to keep a close eye on migration flows, but migration policy settings too.

Theme four: housing policy curve balls and election inertia

Falling house prices mean housing affordability is improving. But if our forecast for a 22% peak to trough decline in house prices is correct, affordability, as measured by house prices relative to incomes, won't be anything to write home about any time soon. On our outlook, house prices relative to household incomes are expected to improve (fall) beyond the levels that prevailed just before the pandemic, but not meaningfully (figure 3). In an absolute sense, this ratio is still high, and that means there are many kiwis who will still be locked out of the market.

Figure 3. House price to income ratio



Source: REINZ, ANZ Research

New Zealand's relatively poor score on the housing affordability front, combined with falling house prices, sets a pretty mixed scene for housing policy announcements heading into the election. Many kiwis want to see housing become more affordable, but many don't want to see their wealth deteriorate too much in the process. And for those with significant debt levels, the prospect of negative equity will be feeling very real right now (if they aren't already there).

Politicians are going to have to walk the line between the goal of improving affordability and the less-positive side of the ledger: reducing household wealth. New policies and/or the potential for a winding back of some recent policies if the Government changes at the next election are likely to keep housing market participants on their toes for most of the year. Investors, in particular, are likely to await the election result (and pre-election announcements) with bated breath.

It's likely that election/policy uncertainty creates some inertia in the housing market this year. This would not be a new phenomenon. Then, depending on the result and policy landscape, there could be some catch-up activity. Top of our mind here is the recent removal of interest deductibility for landlords. This policy will be starting to bite hard for those with significant debt levels. If this policy looks like it'll stick around after the election, there could be an increase in investors exiting the market.

We're not going to speculate on the election result nor the likely policy changes that could come with that – our forecast assumes the status quo until the status quo changes. But so far we've seen nothing to suggest that potential policy changes are significant enough to alter broad momentum in the housing market (which is currently following the interest rate cycle closely).

There's also the possibility that the RBNZ makes changes on the macroprudential policy front. We think LVR settings are unlikely to change any time soon, but never say never. Any changes to LVR settings will depend on how housing lending evolves, which if anything would favour a loosening right now – a loosening that, given broader macroeconomic conditions, is unlikely to move the housing dial much.

The RBNZ is also seeking to add debt-to-income restrictions to its tool belt. But if the Government agrees (and the policy survives the election) the RBNZ have noted that the earliest possible implementation date is likely to be March 2024. Nonetheless, 2023 is year we'll find out whether or not the RBNZ will be given this new tool, and that could impact sentiment. But not necessarily negatively – investors could decide they need to get in before the rules change.

In sum

All in all, 2023 is likely to pack a few surprises. The interest rate outlook is likely to remain the dominant driver of housing momentum, and that is very much dependent on pipeline core inflation pressures. However, a potential bigger hit to household incomes than expected is something to keep an eye out for too, as that could dominate rate changes at least for a short while. A net migration surprise could alter the magnitude of price changes somewhat, but probably won't turn the tide given other macro drivers of housing. And housing policy is up for some robust debate ahead of the election. Buckle up for 2023.

Mortgage borrowing strategy

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Summary

Mortgage rates are up across the board compared to November, when our last edition of the Property Focus was published. These rises occurred in the wake of the RBNZ's super-sized 75bp OCR hike in November, which drove wholesale interest rates up sharply. From here the outlook for mortgage rates is more balanced compared to last year. On one hand, recent falls in wholesale interest rates from late-2022 highs points to scope for mortgage rates to drop back a touch, even if just in the fixed terms where competition is more intense, especially with credit growth slowing. But on the other hand, the RBNZ's fight against inflation isn't over yet. What that means is that while the worst may be behind us (in terms of lifting mortgage rates), it is likely to be some time before we see a meaningful fall. At this point in the cycle, fixing is more about risk management and smoothing interest costs, rather than "getting in" before rates rise. Against that yardstick, spreading fixed across a mix of 6mth, 1yr, 2yr and 3yrs makes sense, especially as all are well below floating, with not much separating them.

Mortgage rates on average across the big-4 banks have risen across the board compared to where they were in November. These increases followed the RBNZ's 75bp OCR hike and the stiff rises in wholesale interest rates that ensued, taking mortgage rates to their highest levels since 2010/11 (1 to 3yr) or 2014 (4 and 5yr). While borrowers haven't yet fully felt the brunt of that thanks to widespread fixing and the consequent slow grind higher in actual rates paid as fixed terms roll off, 2022 was nonetheless a year of hefty rises in mortgage interest.

With inflation well above target and threatening to perpetuate a wage/price spiral, the RBNZ had no real choice but to act decisively. For much of last year, consumers seemed to shrug off the rising OCR. Among other things, that may have been because borrowers had fixed at lower levels, and/or got large pay rises, and/or had kept their repayments constant from when interest rates were much higher. It could also have been because debt levels in relation to incomes hadn't risen much since the GFC. Whatever the case, the proverbial penny seems to have dropped now, and it looks like the shock value of the RBNZ's 75bp final hike of 2022 drove the message home – that if people don't rein in spending, even more OCR hikes are coming.

This realisation, and the fact that we have seen a sharp fall in business and consumer confidence (that has been accompanied by anecdotes of actual spending also slowing) suggest that we are likely nearing a peak in the OCR. That's not to say that the OCR won't keep rising for a while yet, but (for a change) there's a decent chance that it may not need to go as high as we and the RBNZ thought as 2022 drew to a close. And since term rates like the 2 and 3yr were already building in an expectation that the OCR will rise from its current level of 4¼% to around 5½%, that in turn, suggests that the worst of the rise in mortgage rates might be behind us.

But inflation remains far too high, and anyone looking for lower interest rates could be in for a long wait. The RBNZ is ultimately charged with getting inflation back to 2%, and that could take some time, even as growth slows. And factors like China's reopening could yet give global inflation an unwelcome leg up again.

In this environment, it is less about beating rises and more about risk management, smoothing out interest costs, and resilience. With breakevens all higher than current rates, paying more to fix for longer will only work out to be cheaper in the long run if we see further rises in mortgage rates. But most breakevens are not that much higher than current rates, and the additional cost of fixing for longer does buy more certainty. Indeed, with 2yr and 3yr rates just 0.17%pts and 0.25%pts higher respectively than the cheapest fixed rates (6mth and 1yr), and it likely to be a while before rates fall, borrowers might want to consider a mix of terms from 6mths to 3yrs so as to avoid the risk of a nasty shock if inflation and therefore rates have another sting in the tail. Six-month terms are a decent proxy for being floating, but at a much lower rate.

Figure 1. Carded special mortgage rates^

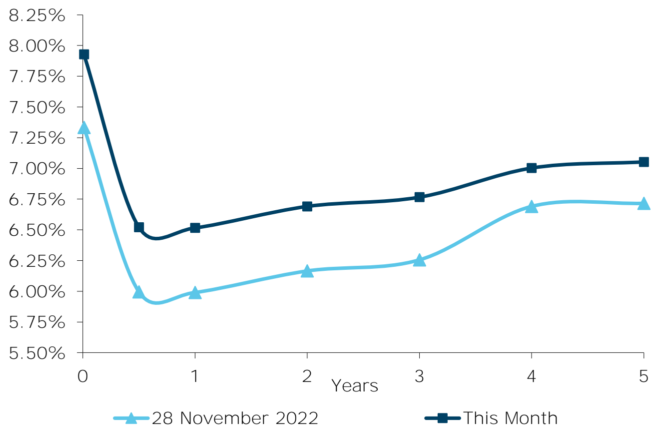

Table 1. Special Mortgage Rates

		Breakevens for 20%+ equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	7.93%				
6 months	6.52%	6.51%	6.82%	6.92%	6.88%
1 year	6.52%	6.66%	6.87%	6.90%	6.92%
2 years	6.69%	6.78%	6.89%	7.09%	7.32%
3 years	6.77%	6.94%	7.17%	7.23%	7.29%
4 years	7.00%	7.09%	7.19%		
5 years	7.05%	#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 30-year term)

Mortgage Size ($000)	Mortgage Rate (%) 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	8.00
200	241	248	255	262	269	277	284	292	299	307	315	323	330	338
250	301	309	318	327	336	346	355	364	374	384	393	403	413	423
300	361	371	382	393	404	415	426	437	449	460	472	484	496	508
350	421	433	446	458	471	484	497	510	524	537	551	564	578	592
400	481	495	509	524	538	553	568	583	598	614	629	645	661	677
450	541	557	573	589	606	622	639	656	673	690	708	726	744	762
500	601	619	637	655	673	691	710	729	748	767	787	806	826	846
550	662	681	700	720	740	760	781	802	823	844	865	887	909	931
600	722	743	764	786	807	830	852	875	897	921	944	968	991	1,015
650	782	805	828	851	875	899	923	947	972	997	1,023	1,048	1,074	1,100
700	842	867	891	917	942	968	994	1,020	1,047	1,074	1,101	1,129	1,157	1,185
750	902	928	955	982	1,009	1,037	1,065	1,093	1,122	1,151	1,180	1,209	1,239	1,269
800	962	990	1,019	1,048	1,077	1,106	1,136	1,166	1,197	1,227	1,259	1,290	1,322	1,354
850	1,023	1,052	1,082	1,113	1,144	1,175	1,207	1,239	1,271	1,304	1,337	1,371	1,404	1,438
900	1,083	1,114	1,146	1,178	1,211	1,244	1,278	1,312	1,346	1,381	1,416	1,451	1,487	1,523
950	1,143	1,176	1,210	1,244	1,278	1,313	1,349	1,385	1,421	1,458	1,495	1,532	1,570	1,608
1000	1,203	1,238	1,273	1,309	1,346	1,383	1,420	1,458	1,496	1,534	1,573	1,613	1,652	1,692

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

	Actual			Projections						
Interest rates	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Floating Mortgage Rate	5.9	6.7	7.8	8.7	9.5	9.5	9.5	9.5	9.5	9.5
1-Yr Fixed Mortgage Rate	5.1	5.2	6.4	6.6	6.6	6.4	6.3	6.3	6.2	6.2
2-Yr Fixed Mortgage Rate	5.6	5.6	6.6	6.9	6.7	6.4	6.4	6.3	6.2	6.1
5-Yr Fixed Mortgage Rate	6.3	6.0	6.8	6.8	6.3	5.7	5.7	5.6	5.4	5.3

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
GDP (Annual % Chg)	0.8	0.3	6.4	3.8	4.5	2.3	-0.3	-1.0	-1.3	-0.8
CPI Inflation (Annual % Chg)	6.9	7.3	7.2	7.2	*Under review*					
Unemployment Rate (%)	3.2	3.3	3.3	3.2	3.3	3.4	3.9	4.4	4.9	5.1
House Prices (Quarter % Chg)	-1.9	-3.3	-4.0	-4.3	-4.0	-3.7	-2.3	0.0	0.4	0.6
House Prices (Annual % Chg)	14.2	3.6	-5.6	-12.8	-14.7	-15.1	-13.5	-9.7	-5.6	-1.3

Interest rates	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Official Cash Rate	2.00	3.00	4.25	5.00	5.75	5.75	5.75	5.75	5.75	5.75
90-Day Bank Bill Rate	2.86	3.85	4.65	5.77	5.85	5.85	5.85	5.85	5.85	5.85
10-Year Bond	3.86	4.30	4.47	4.25	4.20	4.15	4.05	4.05	4.00	3.85

Source: ANZ Research, Statistics NZ, RBNZ, REINZ

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