ANZ Research

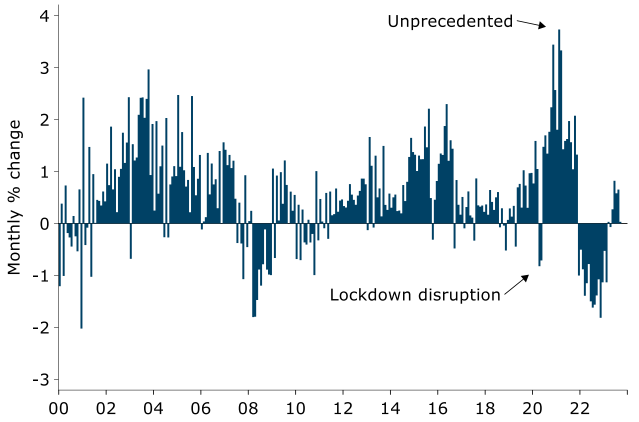
October 2023

New Zealand Property Focus

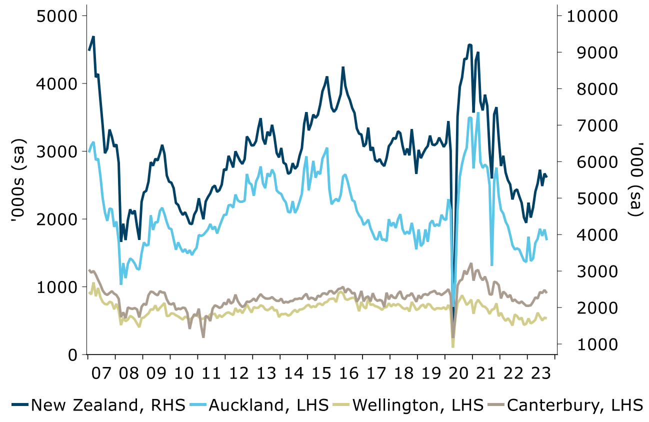
New faces, not many new places

At a glance

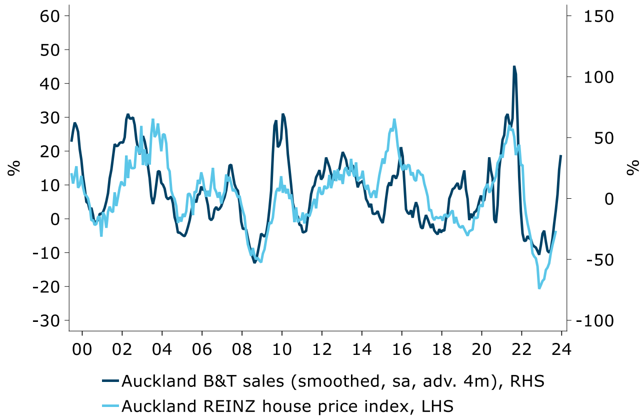
House prices were flat last month after several months of gains



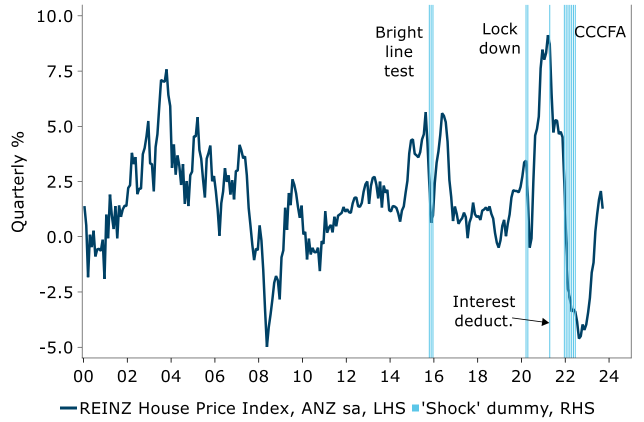
Sales plateaued, perhaps due to election uncertainty



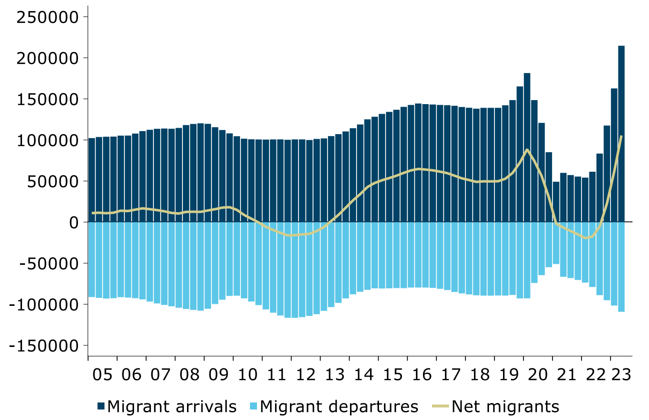
The Auckland housing market is picking up…



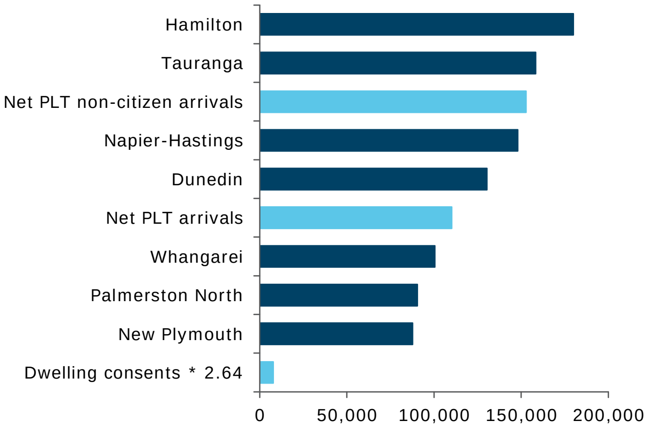
…and post-election policy changes will support the housing market



Over 100,000 net migrants arrived in New Zealand last year…



… but we aren't building enough houses to keep up.



Source: REINZ, Stats NZ, Barfoot & Thompson, Macrobond, ANZ Research

This is not personal advice nor financial advice about any product or service. 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. Please refer to the Important Notice.

Contact

Sharon Zollner,
Andre Castaing, or
David Croy for more
details.

See page 13

INSIDE

ISSN 2624-0629

Publication date: 30 October 2023

Summary

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

Property Focus

House prices were flat in September, taking a breather after three months of growth. House sales have plateaued over the September quarter on a seasonally adjusted basis. While they are above their lows of late last year, they are by no means strong in a historical context. That matches the overall economic vibe: a bit better than a year ago, but anything but gung ho. The new Government's policy changes are likely to put upwards pressure on house prices. We aren't rushing to reassess the outlook for house prices until a new Government is formed, and the policy direction is more concrete. Meanwhile, fixed mortgage rates have continued to creep higher over the month in line with wholesale rates. See the Property Focus section.

Feature Article: Migration boom

Migration into New Zealand is at record levels. Over the last year more people than live in Palmerston North or New Plymouth have moved here on net, after accounting for departures. All those migrants need a place to live and we are not consenting and building enough new dwellings to keep pace. The extra demand for places to live is putting upwards pressure on house prices and rents, especially in Auckland. At the same time, large numbers of New Zealanders are leaving the country permanently, further raising property market churn. Net migration also boosts labour supply, dampening wage growth, so the net impact on inflation and therefore mortgage rates is ambiguous. The RBNZ is assuming it will be a small positive net impact, but time will tell. See this month's Feature Article.

Mortgage Borrowing Strategy

Average fixed mortgage rates are slightly higher across the board this month. Although the changes were minimal, with bigger increases for longer-term fixings, it continues the trend of mortgage rates rising even with no changes to the OCR. The main driver has been the sharp rise in global interest rates, which have dragged NZ swap rates (a key determinant of mortgage rates) with them. Recent local activity data has remained resilient, and although Q3 CPI wasn't as strong as we expected and saw us push out the timing of the next OCR hike in our forecast (from November to February), we still expect a hike. That's predicated on our view that while inflation is falling, it's not falling quickly enough. Borrowers still face an inverted mortgage curve, and that makes for a tough decision: fix for longer at what might be near the top of the cycle; or fix for shorter at a higher rate. It's hard to say that one is clearly better than the other, but breakevens still fall more rapidly than our forecasts, hinting that fixing for longer may end up being cheaper in the long run. But a mix of terms remains a good way to balance the risks amid higher uncertainty. See our Mortgage Borrowing Strategy.

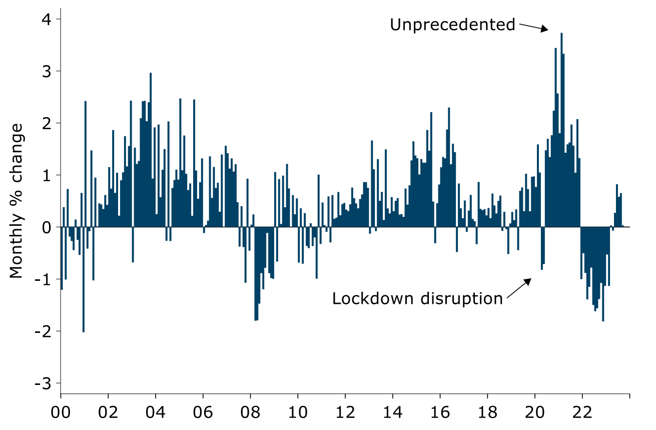
Summary

House prices were flat in September, taking a breather after three months of growth. House sales have plateaued over the September quarter on a seasonally adjusted basis. While they are above their lows of late last year, they are by no means strong in a historical context. That matches the overall economic vibe: a bit better than a year ago, but anything but gung ho. The new Government's policy changes are likely to put upwards pressure on house prices. We aren't rushing to reassess the outlook for house prices until a new Government is formed, and the policy direction is more concrete. Meanwhile, fixed mortgage rates have continued to creep higher over the month in line with wholesale rates.

The housing market was soft in September. Election pause?

Nationwide, the REINZ House Price Index (HPI) was flat in September (seasonally adjusted by ANZ), a clear shift downwards from the previous three months of seasonally adjusted growth averaging 0.7% m/m (figure 1). We were expecting house prices to continue to rise by a similar amount in September, so the fact they went sideways was a bit of a surprise.

Figure 1. Monthly house price inflation

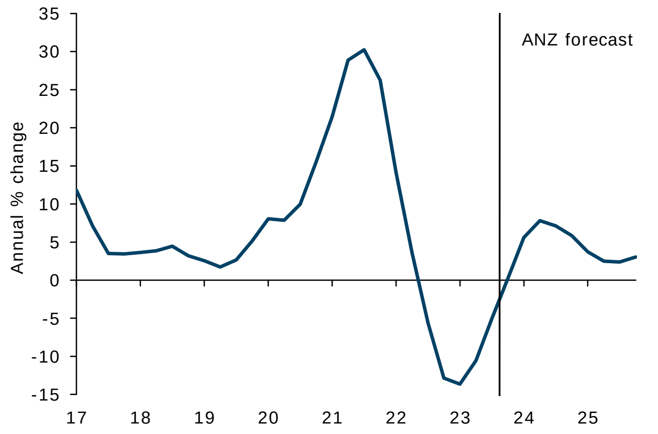


Source: REINZ, Macrobond, ANZ Research

It's hard to tell at this point whether September's softness was just a blip or something more significant. There's plenty of good reasons why house price growth could slow down again: the economy is cooling, unemployment is rising and mortgage rates remain quite high. At the same time, it's hard to overlook record inbound migration and rising first home buyer activity. A mixed bag.

On balance, we have decided to maintain our house price forecast of a 5% lift in house prices over 2024 (figure 2), but we have 'baked in' the softer September data, meaning that house prices rise a little less in total over 2023.

Figure 2. Our house price forecast

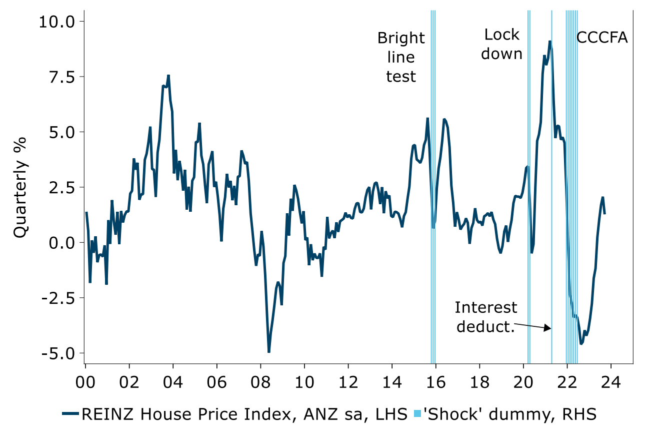


Source: REINZ, ANZ Research

It's possible that September was a more sluggish month in the market due to election uncertainty, which would also present downside risk for October's REINZ data. We aren't going to rush to any conclusions about the updated outlook for house prices until a Government is formed, and the policy mix is known. It appears the National Party will lead the next Government; however, we won't know the exact set of policies until special votes are counted and coalition negotiations with ACT and New Zealand First are concluded.

But we do know that the National Party campaigned on reintroducing interest deductibility for property investors, changing zoning rules, shortening the bright line test to two years (from 10), and rolling back changes to the Credit Contracts and Consumer Finance Act 2023 (CCCFA). Policy changes in these areas put downwards pressure on house prices over the last few years (figure 3).

Figure 3. Policy shocks and house price inflation



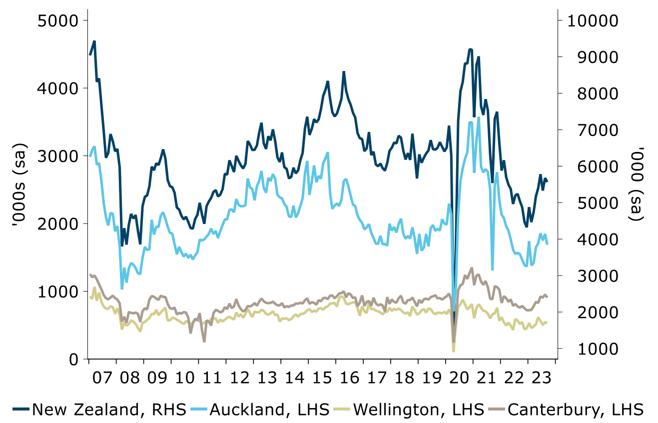
Source: REINZ, Macrobond, ANZ Research

If National's proposed changes survive coalition negotiations, they are correspondingly likely to put a degree of upwards pressure on house prices, although it may be several years until these policies are fully introduced. Depending on the timing and the macroeconomic context, they may or may not be significant in terms of the outlook for the Official Cash Rate (OCR).

Sales and listings remain subdued

House sales appear to have plateaued over Q3 2023 on a seasonally adjusted basis (figure 4). While they are well off than their lows late last year, they are by no means strong in a historical context. That matches the overall economic vibe: a bit better than a year ago, but hardly gung ho.

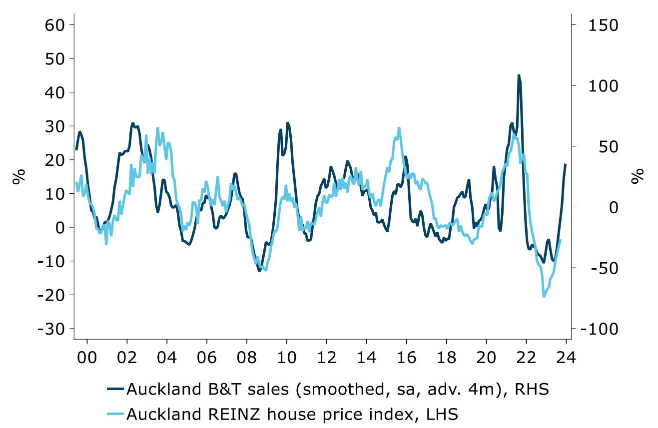
Figure 4. House sales



Source: REINZ, Macrobond, ANZ Research

However, it's a mixed picture across the country, with the Auckland housing market showing more signs of life in more recent data from Barfoot and Thompson (figure 5). It's possible that this is because of strong migration into Auckland (the city has historically tended to get more than its proportional share of immigrants – see our Feature Article), but it also could be that the Auckland economy is more concentrated in sectors that are relatively upbeat (eg professional services), and less in sectors that are under the pump, such as agriculture.

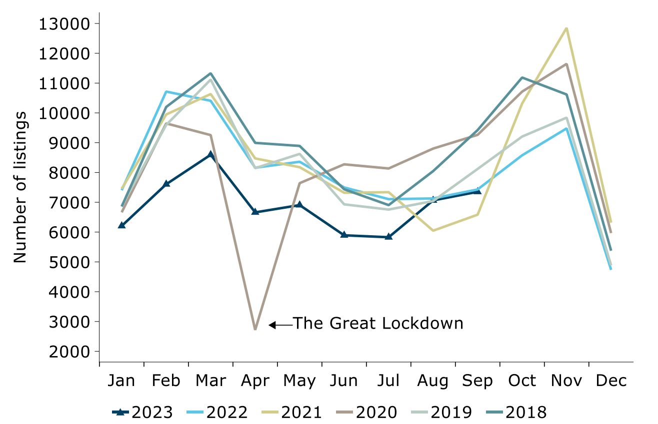
Figure 5. Auckland house sales



Source: Barfoot & Thompson, REINZ, Macrobond, ANZ Research

Nationwide, listings were much closer to their pre-pandemic levels in September, even after accounting for the usual September pick-up. In isolation, more listings put downwards pressure on house prices via more choice, but if people are listing their house because they are now more confident that they will find someone willing to buy at an acceptable price, that indicates strength in the market as a whole.

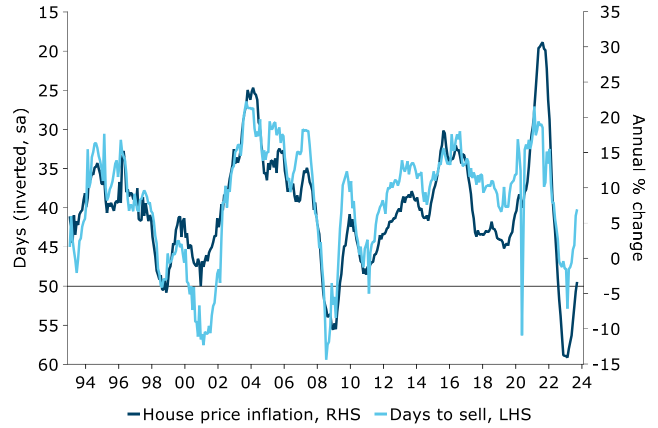
Figure 6. New listings



Source: REINZ, Macrobond, ANZ Research

In another sign of life, days to sell are back around their pre-pandemic average. Unlike in 2022 where buyers' and sellers' price expectations were on different planets, the market has now come to accept that prices are not returning to their 2021 peak in a hurry. This has supported the fall in days to sell and rise in house sales, but it remains to be seen whether these newly listed houses can also find buyers quickly.

Figure 7. Days to sell and house price inflation



Source: REINZ, Macrobond, ANZ Research

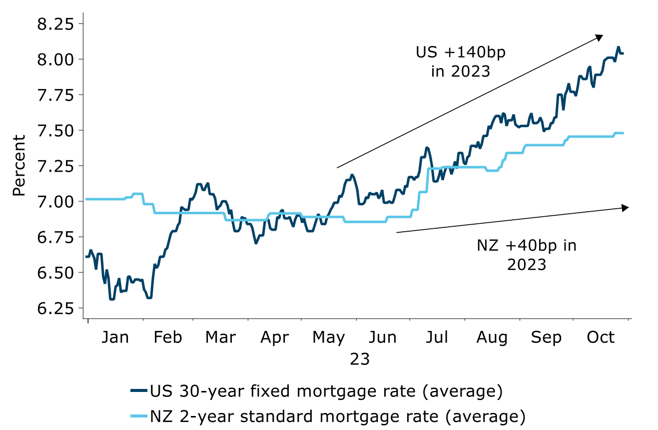
With sellers now being able to sell their properties more quickly, there may be less appetite for homeowners to accept offers conditional on the sale of their current home, as they may feel they can hold out for a cash offer. On the other hand, there is now a greater chance of this condition being met.

Zooming out, the market remains cool, but has thawed out considerably from the icy depths of 2022. We continue to expect activity to tick up from here. But we are not expecting the housing market rebound to come to much, and in that context, our expectation that the RBNZ will conclude by February that they need to raise the OCR again is not contingent on a marked lift in the market. But if the market does get a bigger head of steam up than we expect, and particularly if it looks like it's starting to affect broader spending decisions, the RBNZ will certainly be paying close attention and stand ready to act.

Sharp rises in global interest rates will only have a small effect on kiwi homeowners

Global longer-term interest rates have increased substantially over the last few months. In the US their typical 30-year mortgages have increased 1.4% points this year (figure 8), more than the rise in the US federal funds rate (the equivalent of the RBNZ's OCR). In contrast, the popular 2-year mortgage rate in New Zealand has increased much less than that.

Figure 8. Change in US and NZ mortgage rates in 2023

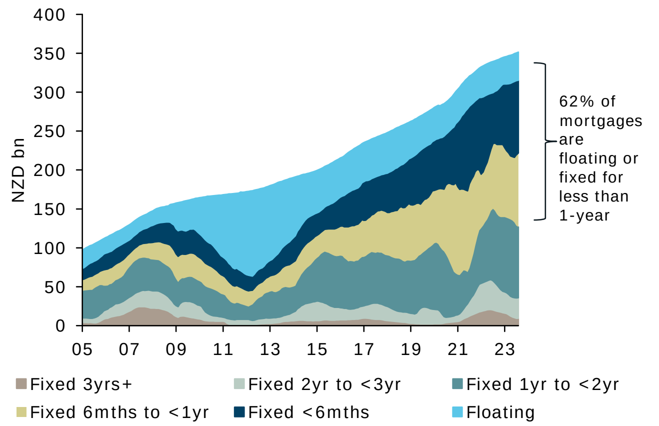


Source: ASB, ANZ, BNZ, Westpac, Bankrate, Macrobond, ANZ Research

Because New Zealand mortgages are typically fixed for less than three years (figure 9), the influence of global long-term interest rates is naturally limited. Some of the increases in mortgage rates since the OCR went on hold in May has reflected rising expectations of where the OCR will average over the next two years. But it's clear that changes in US long term interest rates have also contributed in part to the upward pressure on New Zealand swap rates (and by extension mortgage rates), particularly in the last month, and particularly at longer terms.

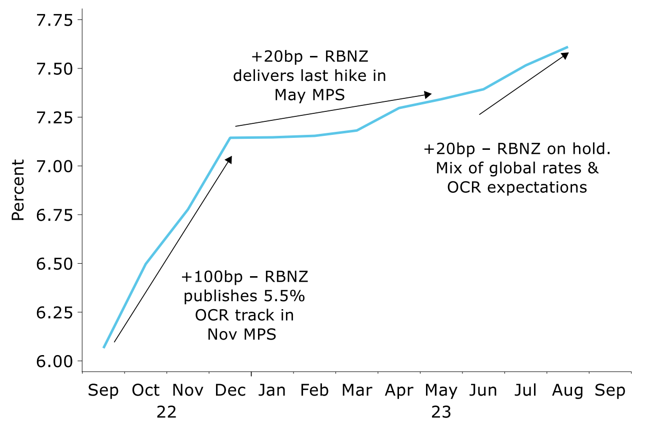
Since May the average mortgage rate paid by owner occupiers and property investors on new lending (including those rolling over fixed terms) has risen by about 20bp (figure 10).

Figure 9. NZ mortgages by time to re-fix



Source: Stats NZ, Macrobond, ANZ Research

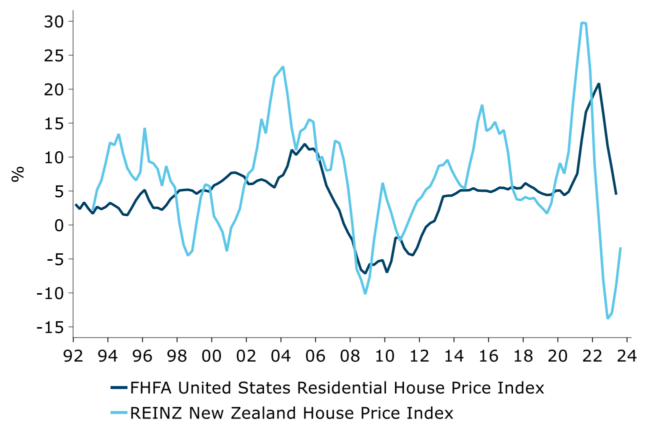
Figure 10. Mortgage rates for new owner-occupier and investor lending, averaged across all tenors



Source: RBNZ, Bloomberg, Macrobond, ANZ Research

Mortgage rates in the US rose later than here, and that is also reflected in house prices. US house prices have barely fallen since the pandemic, in part due to the less substantial rises in mortgage rates. On the other hand, NZ house prices fell substantially as mortgage rates rose through 2022 and levelled off when mortgage rates plateaued.

Figure 11. NZ and US house price inflation



Source: FHFA, REINZ, Macrobond, ANZ Research

US house prices also tend to have less of a boom-bust dynamic than in NZ. In terms of potential explanations why this is the case, it's worth noting that the US has:

1. More responsive housing supply in the face of changing demand.
2. A more spread-out population, meaning one city has less of an impact on country-wide house prices (unlike Auckland in NZ).
3. Migration that's lower in terms of both its average and its swings as a share of the population.
4. Less dramatic swings in mortgage rates.

These factors have contributed to homeowners in the US receiving much more stable capital gains than New Zealand homeowners, whose returns vary considerably year-to-year. But on average, New Zealand house prices have risen 6.6% p.a. in the period since 1992 charted above, whereas US prices have risen 4.3% p.a.

Housing market indicators for September 2023 (based on REINZ data seasonally adjusted by ANZ Research)

	Median house price			House price index		Sales		Average days to sell
	Level	Annual % change	3-mth % change	Annual % change	3-mth % change	# of monthly sales	Monthly % change	
Northland	$717,866	-3.1	0.0	-7.0	0.3	165	+8%	74
Auckland	$1,029,208	-2.0	1.6	-3.3	2.1	1,686	-9%	40
Waikato	$753,663	-3.8	1.0	-5.0	0.6	512	-4%	39
Bay of Plenty	$806,479	-5.2	-1.8	-6.4	1.1	341	+3%	56
Gisborne	$586,835	-2.4	3.5	-4.4	1.0	35	-1%	35
Hawke's Bay	$701,015	-1.7	-2.6	-4.4	1.0	172	+0%	43
Manawatu-Whanganui	$524,579	-6.9	-1.1	-5.1	1.9	280	+8%	47
Taranaki	$573,745	-7.4	0.9	-3.1	-0.6	144	+6%	48
Wellington	$789,422	-4.6	0.2	-3.4	2.7	533	-2%	36
Tasman, Nelson & Marlborough	$739,226	-0.5	3.4			208	+8%	44
Canterbury	$672,239	0.7	1.6	-0.9	1.5	906	-5%	35
Otago	$673,565	-0.7	1.0	0.5	2.4	305	-6%	51
West Coast	$387,076	8.4	-2.7	-4.7	0.2	34	-10%	46
Southland	$441,603	-0.2	2.2	1.9	2.4	134	+5%	41
New Zealand	$785,040	-3.2	0.6	-3.3	1.7	5,564	-2%	40

Feature Article: Migration boom

Summary

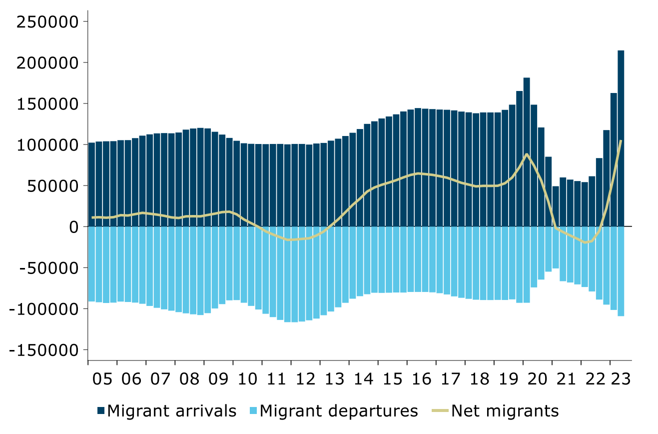
Migration into New Zealand is at record levels. Over the last year more people than live in Palmerston North or New Plymouth have moved here on net, after accounting for departures. All those migrants need a place to live and we are not consenting and building enough new dwellings to keep pace. The extra demand for places to live is putting upwards pressure on house prices and rents, especially in Auckland. At the same time, large numbers of New Zealanders are leaving the country permanently, further raising property market churn. Net migration also boosts labour supply, dampening wage growth, so the net impact on inflation and therefore mortgage rates is ambiguous. The RBNZ is assuming it will be a small positive net impact, but time will tell.

Record migration, few new houses

New Zealand has been undergoing a once-in-a-generation migration boom over the past 12 months. In this month's Feature Article we do a deep-dive into where these migrants are from, where they are going to, and how their extra demand for housing could affect rents and CPI inflation.

This month's data showed that 110,200 people (net) moved to New Zealand over the last year (figure 1). That's record levels, with 199,500 non-New Zealand citizens immigrating to New Zealand over the last 12 months.

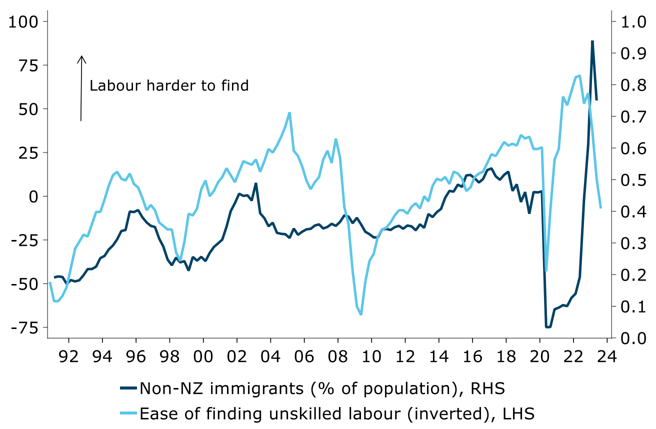
Figure 1. Migrant arrivals and departures (sa)



Source: Stats NZ, Macrobond, ANZ Research

Businesses have been taking the opportunity to fill acute labour shortages, making the most of the recent loosening in immigration settings to acquire labour to fill unskilled jobs (figure 2). Immigration usually picks up when unskilled labour is in short supply, but typically this is more limited by government policy settings restricting how many people can move to New Zealand.

Figure 2. Immigration and ease of finding unskilled labour

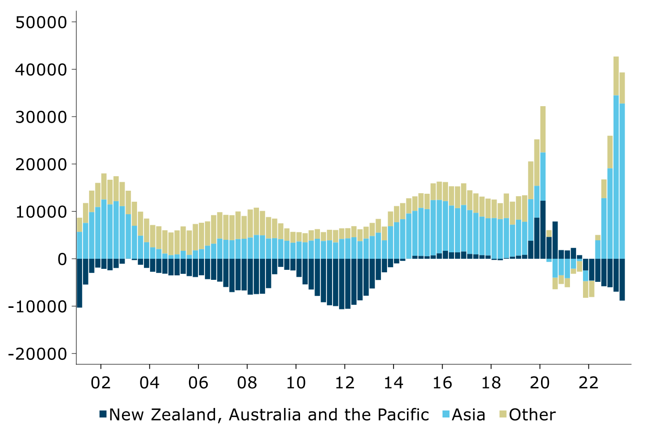


Source: Stats NZ, NZIER, Macrobond, ANZ Research

Almost half of recent migrants to New Zealand have come from India (38,197), the Philippines (30,350) and China (19,876), which is well above their usual percentages of our migrant pool. Historically migrants from these countries have earned slightly below average wages in New Zealand.[1] To the extent that remains the case, that implies more upwards pressure on lower-priced homes and rentals relative to those at the top end of the market.

The record net inbound migration masks the fact that outbound migration is also near record highs. This has been led by New Zealanders (figure 3). There's a couple of potential explanations. Many kiwis who had planned OEs but couldn't go while the border was closed have now seized their opportunity. And second, cost-of-living pressures may be encouraging workers to go to higher-wage economies such as Australia (though the cost of living is a hot topic there too!).

Figure 3. Net migration by citizenship (sa)



Source: Stats NZ, Macrobond, ANZ Research

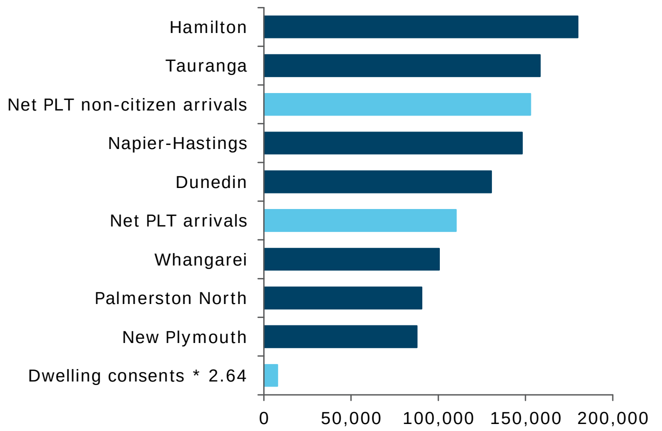
[1] Migrant pay gap – BERL 2022

Feature Article: Migration boom

Quite apart from the net number, the size of the migrant flows in both directions mean property market churn will be higher than otherwise. This will support house sales volumes and also rents, to the extent it makes rent reviews more frequent (within the constraint of the new rules limiting the frequency of rent changes for existing tenants).

The recent boom in net migration has seen New Zealand grow by the population of a decent-sized city over the last year (figure 4). All these migrants need a place to live, and we are not consenting and building enough new dwellings to keep pace.

Figure 4. Net migration in context

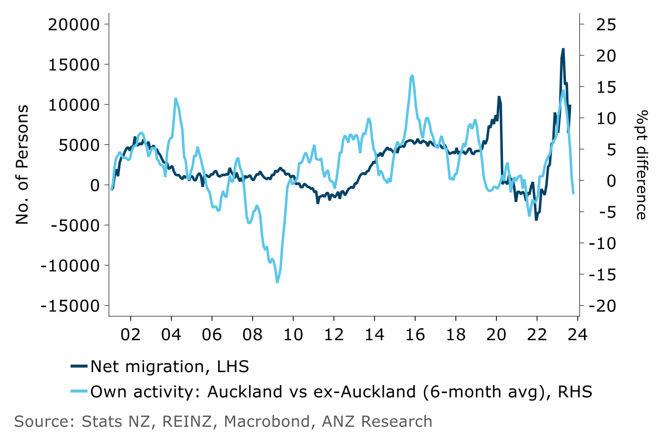


Source: Stats NZ, ANZ Research

Destination Auckland

Of course, no new city has popped up in NZ this year. Rather, many migrants have moved to Auckland. As our largest city it naturally provides a gateway for new New Zealanders to establish themselves, easily find a job and connect with others from their country of origin. Migrant flows into Auckland have helped spur on economic activity there (figure 5) despite nationwide gloominess.

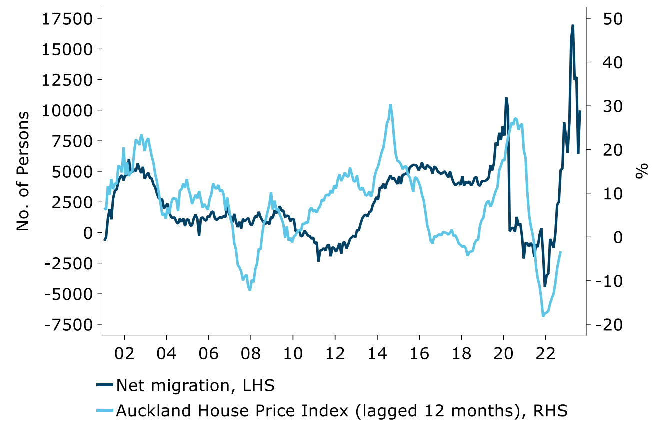
Figure 5. Net migration vs Auckland ANZBO own activity



Source: Stats NZ, Macrobond, ANZ Research

The concentration of migrants arriving in Auckland has been placing upwards pressure on the city's house prices (figure 6). Auckland has been building houses rapidly in recent years, but this is not keeping pace with the volumes of new arrivals, making the evolving demand-supply balance a tailwind for prices once more.

Figure 6. Net migration vs Auckland house prices

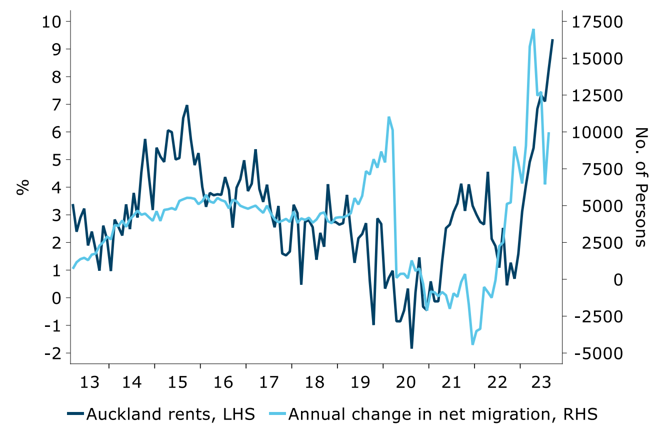


Source: Stats NZ, REINZ, Macrobond, ANZ Research

We expect the additional pressure in the Auckland housing market to cause spillovers to neighbouring regions such as the Waikato and Bay of Plenty as relative prices adjust, given these regions are close to Auckland.

It's not just house prices where we expect upwards pressure to emerge; rents are also likely to see sustained increases from higher population growth (figure 7). However, at some stage the cooling labour market will reduce tenants' wage growth, meaning they will be less able to pay higher rents. This will limit landlords' ability to continue to raise rents.

Figure 7. Net migration vs Auckland rents



Source: Stats NZ, ANZ Research

Upwards pressure on mortgage rates?

Higher rents will directly feed through to Consumers Price Inflation (CPI), boosting the non-tradeable inflation component on which the RBNZ focuses. High migration won't just increase the CPI via rents; it will also result in higher demand and potentially upwards pricing pressure on everything a new kiwi might need after they've arrived, such as durable goods like washing machines, furniture and televisions. The extent to which the spike in immigration feeds through into higher prices remains to be seen (and in practice will be difficult to estimate precisely) but it is an upside risk to inflation and could contribute to mortgage rates being higher for longer.

On the other hand, most migrants are moving to New Zealand to work, and there is no question that huge boost in labour supply has opened up slack in the labour market, and is allowing higher utilisation of existing capital. This is a positive supply shock that boosts GDP and reduces inflation pressure by dampening wage pressures.

So will the net migration boom worsen the RBNZ's inflation problem or solve it overall?

There's no clear answer to that question at this point. But in the August Monetary Policy Statement (MPS), the RBNZ outlined its view that the migration surge is likely to have a "low, but positive" impact on inflation. They noted four differences compared to pre-pandemic migration trends that they are paying attention to when assessing the potential effects of migration on inflation (and therefore the OCR and ultimately mortgage rates):

1. Country of origin. This migration wave is mainly from India, China and the Philippines, countries whose immigrants have historically put less upwards pressure on house prices.
2. Age. This migration wave is concentrated in people 30-49, a demographic that spends lots and puts large upward pressure on inflation.
3. Occupation. This migration wave has a higher share of technicians and trade workers than normal. In theory that gives the New Zealand economy more capacity to build homes, potentially increasing housing supply, moderating house price growth. (But that's relevant only if the maths on new builds stacks up, and at the moment that's challenging).
4. Arrivals and departures. Net migration is being driven by high arrivals, rather than low departures. Historically arrivals have had a larger effect on house prices and inflation than departures.

Weighing it all up, our forecasts also assume that the additional labour supply and demand for housing and other goods will broadly balance out in terms of their inflationary effects, leaving only a small net positive inflation impact. However, around that assumption we see the risks as tilted towards the net inflation impact being bigger than a "low, but positive" impact, at least in the short term. The assumption that the net effect will not be particularly inflationary is entirely defensible, but it is just an assumption and the RBNZ will have to react to the data as it lands.

Given the unprecedented amount of extra people who have recently arrived in the country and our inability to wish new houses into existence, there is a clear risk that all these extra people cause rents, house prices, inflation and mortgage rates to rise more than we or the RBNZ are currently expecting.

Mortgage borrowing strategy

This is not financial advice about any product or service. 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. Please refer to the Important Notice.

Summary

Average fixed mortgage rates are slightly higher across the board this month. Although the changes were minimal, with bigger increases for longer-term fixings, it continues the trend of mortgage rates rising even with no changes to the OCR. The main driver has been the sharp rise in global interest rates, which have dragged NZ swap rates (a key determinant of mortgage rates) with them. Recent local activity data has remained resilient, and although Q3 CPI wasn't as strong as we expected and saw us push out the timing of the next OCR hike in our forecast (from November to February), we still expect a hike. That's predicated on our view that while inflation is falling, it's not falling quickly enough. Borrowers still face an inverted mortgage curve, and that makes for a tough decision: fix for longer at what might be near the top of the cycle; or fix for shorter at a higher rate. It's hard to say that one is clearly better than the other, but breakevens still fall more rapidly than our forecasts, hinting that fixing for longer may end up being cheaper in the long run. But a mix of terms remains a good way to balance the risks amid higher uncertainty.

Fixed mortgage rates continued trending higher this month, with the 5yr rate up the most (0.19%) and the 1yr up the least (0.05%). Nonetheless, the trend of mortgage rates moving up independently of the OCR (which hasn't changed since May) remains intact. These increases have been driven primarily by sharp rises in global interest rates, which have, in turn, put upward pressure on NZ swap rates, which are the main determinant of mortgage rates. We note, for example, that since the RBNZ's May Monetary Policy Statement (the last time the OCR was lifted), the US 10yr Treasury bond yield has risen by a shade over 100bps, while NZ 2 and 5yr swap rates have risen by around 35bps and 70bps respectively. In that context, the rises we have seen in mortgage rates have been of about the magnitude we would usually expect.

Looking ahead, we continue to expect the RBNZ to lift the OCR, but as we noted above, we have pushed the timing of the next hike out by one quarter to February. That's not a watering down of our view – while we have been pleasantly surprised by the recent moderation in headline inflation, we don't think it's happening quickly enough, especially given the surge in migration and growing confidence that the housing market has turned the corner. There are clearly risks (in both directions) and it is possible that we don't see another hike, especially if consumers do 'cool their jets' over the summer, as RBNZ Governor Orr asked of the nation last summer. But even if another hike is averted, we still think cuts are a long way off.

Against this backdrop, and with the mortgage curve as inverted as it is, there is no easy win on the table for borrowers. In days gone by, many borrowers put a value on certainty, but with the interest rate cycle now very mature, many borrowers worry that fixing for a longer term now will see them locked in 'at the top'. It's a valid concern, but we wouldn't overplay it given our view that we'll see another hike, and think it'll be a long time before we see cuts. Given that the alternative – fixing for shorter – is more expensive, figuring out what one should do looks very tricky indeed.

Regular readers will be used to our breakeven analysis, which we think is useful in these circumstances. Let's compare, for example, fixing for 1 year versus fixing for 2 or 3 years, noting that if you fix for 1 year, you'll need to roll that fix when it matures. As our table shows, the 1yr rate needs to fall from its current rate of 7.34% to 6.73% in a year's time (and then fall to 6.40% in 2 years' time) for back-to-back 1-year fixes to be cheaper than fixing for 2 years at 7.03% (or 3 years at 6.83%). That's a little more aggressive than our forecasts, but the gap between our forecasts and breakevens isn't as big as it was a month or two ago. That may tilt borrowers toward a longer term, but perhaps without as much conviction as earlier. That uncertainty, in turn, lends itself to fixing for a spread of terms, with the portion fixed for a shorter-term, providing ability to participate in lower rates should they eventuate, and the portion fixed for a longer-term protecting against higher rates, should they eventuate.

Figure 1. Carded special mortgage rates^

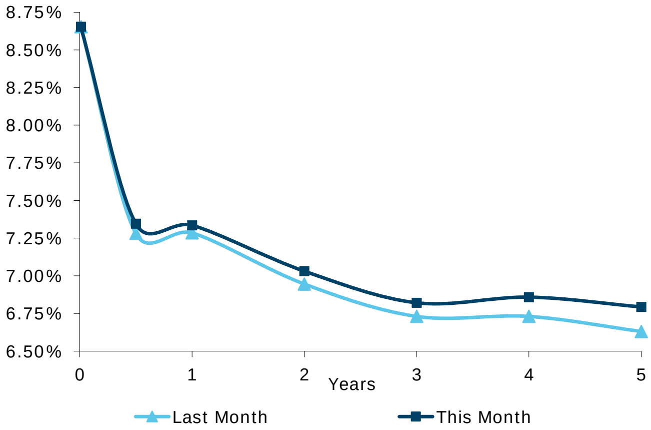


Table 1. Special Mortgage Rates

		Breakevens for 20%+ equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	8.65%				
6 months	7.35%	7.33%	6.69%	6.76%	6.51%
1 year	7.34%	7.01%	6.73%	6.63%	6.40%
2 years	7.03%	6.82%	6.56%	6.63%	6.69%
3 years	6.82%	6.75%	6.70%	6.68%	6.63%
4 years	6.86%	6.76%	6.66%		
5 years	6.79%	#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 (%)													
	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75
200	262	269	277	284	292	299	307	315	323	330	338	347	355	363
250	327	336	346	355	364	374	384	393	403	413	423	433	443	454
300	393	404	415	426	437	449	460	472	484	496	508	520	532	544
350	458	471	484	497	510	524	537	551	564	578	592	606	621	635
400	524	538	553	568	583	598	614	629	645	661	677	693	709	726
450	589	606	622	639	656	673	690	708	726	744	762	780	798	816
500	655	673	691	710	729	748	767	787	806	826	846	866	887	907
550	720	740	760	781	802	823	844	865	887	909	931	953	975	998
600	786	807	830	852	875	897	921	944	968	991	1,015	1,040	1,064	1,089
650	851	875	899	923	947	972	997	1,023	1,048	1,074	1,100	1,126	1,153	1,179
700	917	942	968	994	1,020	1,047	1,074	1,101	1,129	1,157	1,185	1,213	1,241	1,270
750	982	1,009	1,037	1,065	1,093	1,122	1,151	1,180	1,209	1,239	1,269	1,299	1,330	1,361
800	1,048	1,077	1,106	1,136	1,166	1,197	1,227	1,259	1,290	1,322	1,354	1,386	1,419	1,452
850	1,113	1,144	1,175	1,207	1,239	1,271	1,304	1,337	1,371	1,404	1,438	1,473	1,507	1,542
900	1,178	1,211	1,244	1,278	1,312	1,346	1,381	1,416	1,451	1,487	1,523	1,559	1,596	1,633
950	1,244	1,278	1,313	1,349	1,385	1,421	1,458	1,495	1,532	1,570	1,608	1,646	1,685	1,724
1000	1,309	1,346	1,383	1,420	1,458	1,496	1,534	1,573	1,613	1,652	1,692	1,733	1,773	1,814

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

	Actual			Projections						
Interest rates	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Floating Mortgage Rate	8.0	8.5	8.6	8.7	8.9	8.9	8.9	8.7	8.4	8.2
1-Yr Fixed Mortgage Rate	6.5	6.9	7.2	7.5	7.6	7.4	7.2	7.0	6.8	6.7
2-Yr Fixed Mortgage Rate	6.5	6.5	6.9	7.1	7.1	6.9	6.8	6.7	6.6	6.6
3-Yr Fixed Mortgage Rate	6.6	6.3	6.7	6.9	6.9	6.8	6.7	6.6	6.6	6.5
5-Yr Fixed Mortgage Rate	6.6	6.3	6.5	7.0	7.0	6.9	6.8	6.7	6.6	6.5

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
GDP (Annual % Chg)	2.4	2.2	1.8	0.6	1.5	1.4	0.6	0.6	0.6	1.1
CPI Inflation (Annual % Chg)	7.2	6.7	6.0	5.6(a)	5.1	4.5	4.0	3.1	2.7	2.4
Unemployment Rate (%)	3.4	3.4	3.6	3.9	4.2	4.6	4.7	4.8	4.9	5.1
House Prices (Quarter % Chg)	-3.5	-2.9	-0.3	1.6	1.7	2.4	1.8	1.0	0.5	0.3
House Prices (Annual % Chg)	-12.8	-13.6	-10.6	-5.0	0.2	5.6	7.8	7.1	5.8	3.7

Interest rates	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Official Cash Rate	4.75	5.50	5.50	5.50	5.75	5.75	5.75	5.50	5.25	5.00
90-Day Bank Bill Rate	5.23	5.71	5.74	5.83	6.07	6.10	5.93	5.82	5.57	5.33
10-Year Bond	4.20	4.68	5.31	5.70	5.75	5.65	5.50	5.35	5.25	5.00

Source: ANZ Research, Statistics NZ, RBNZ, REINZ

Contact us

Meet the team

We welcome your questions and feedback. Click here for more information about our team.

Sharon Zollner
Chief Economist

Follow Sharon on Twitter
@sharon_zollner

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
@ANZ_Research (global)

David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com

Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com

Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com

Henry Russell
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: henry.russell@anz.com

Andre Castaing
Economist

Macroeconomic forecasting, economic developments, housing and monetary policy.

Telephone: +64 21 199 8718
Email: andre.castaing@anz.com

Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com

Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com

Important notice

Last updated: 18 April 2023

The opinions and research contained in this document (which may be in the form of text, image, video or audio) are (a) not personal financial advice nor financial advice about any product or service; (b) provided for information only; and (c) intended to be general in nature and do not take into account your financial situation or goals.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared by ANZ Bank New Zealand Limited (ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand). This document is distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (ANZ), a company incorporated in Australia or (if otherwise stated), by its subsidiary or branch (herein collectively referred to as ANZ Group). The views expressed in this document are those of ANZ Economics and Markets Research, an independent research team of ANZ Bank New Zealand Limited.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (recipients).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ Group to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ Group would be subject to additional licensing or registration requirements. Further, any products and services mentioned in this document may not be available in all countries.

ANZ Group in no way provides any personal financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ Group does not represent or warrant the accuracy or completeness of the information, except with respect to information concerning ANZ Group. Further, ANZ Group does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ Group does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. Any products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ Group expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (Liability) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ Group may have an interest in the subject matter of this document. They may receive fees from customers for dealing in any products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in any products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products.

This document is published in accordance with ANZ Group's policies on conflicts of interest and ANZ Group maintains appropriate information barriers to control the flow of information between businesses within the group.

Your ANZ Group point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please click here or request from your ANZ point of contact.

Brazil. This document is distributed on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this document, and no securities have been and will not be registered with the Securities Commission - CVM.

Brunei, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. The information contained in this document is confidential and is provided solely for your use upon your request.

This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

Canada. This document is general information only, is intended for institutional use only – not retail, and is not meant to be tailored to the needs and circumstances of any recipient. In addition, this document is not intended to be an offer or solicitation to purchase or sell any security or other financial instrument or to employ a specific investment strategy.

Chile. You understand and agree that ANZ is not regulated by Chilean Authorities and that the provision of this document is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice.

Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This document is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Israel. ANZ is not a holder of a licence granted in Israel pursuant to the Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 1995 ("Investment Advice Law") and does not hold the insurance coverage required of a licensee pursuant to the Investment Advice Law. This publication has been prepared exclusively for Qualified Clients as such term is defined in the First Schedule to the Investment Advice Law. As a prerequisite to the receipt of a copy of this publication a recipient will be required to provide confirmation and evidence that it is a Qualified Client. Nothing in this publication should be considered Investment Advice or Investment Marketing as defined in the Investment Advice Law. Recipients are encouraged to seek competent investment advice from a locally licensed investment adviser prior to making any investment.

Macau. Click here to read the disclaimer for all jurisdictions in Mandarin. **澳门.** 点击此处阅读所有司法管辖区的免责声明的中文版。

Myanmar. This document is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This document is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

Important notice

New Zealand. This document is distributed in New Zealand by ANZ Bank New Zealand Limited. The material is for information purposes only and is not financial advice about any product or service. We recommend you seek advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman (CBO) or Oman's Capital Market Authority (CMA). The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (ANZ China). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. So, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Peru. The information contained in this document has not been, and will not be, registered with or approved by the Peruvian Superintendency of the Securities Market (Superintendencia del Mercado de Valores, SMV) or the Lima Stock Exchange (Bolsa de Valores de Lima, BVL) or under the Peruvian Securities Market Law (Legislative Decree 6 861), and will not be subject to Peruvian laws applicable to public offerings in Peru. To the extent this information refers to any securities or interests, it should be noted the securities or interests may not be offered or sold in Peru, except if (i) such securities or interests were previously registered with the Peruvian Superintendency of the Securities Market, or (ii) such offering is considered a private offering in Peru under the securities laws and regulation of Peru.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (QCB), the Qatar Financial Centre (QFC) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (Qatar); or
- authorised or licensed for distribution in Qatar, and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC.

The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. To the extent that this document contains any statements of opinion and/or recommendations related to an investment product or class of investment product (as defined in the Financial Advisers Act 2001), this document is distributed in Singapore by ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act 2001 of Singapore). ANZ is licensed in Singapore under the Banking Act 1970 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act 2001 of Singapore. In respect of any matters arising from, or in connection with, the distribution of this document in Singapore, please speak to your usual ANZ contact in Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (DIFC) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (DFSA). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

United Kingdom. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited (ANZ) solely for the information of persons who would come within the Financial Conduct Authority (FCA) definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (PRA) and the FCA.

ANZ considers this document to constitute an Acceptable Minor Non-Monetary Benefits (AMNMB) under the relevant inducement rules of the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (ANZ SI) which is a member of the Financial Regulatory Authority (FINRA) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use our website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use our website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is a FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.