

NZIER Consensus Forecasts

Embargoed until 12 noon Monday 19 September 2011

Incorporating returns received up to Monday 12 September 2011

Resilient despite global risks

The NZIER Consensus Forecasts are an average of New Zealand economic forecasts compiled from a survey of financial and economic agencies. These are not NZIER's forecasts. The average forecasts do not necessarily represent the views of individual participants. Forecasts are for March years, e.g. 2011/12 refers to the year ended March 2012.

Economists expect resilience despite global risks. New Zealand economists on average believe the economy is set to recover, in part due to reconstruction of Canterbury. Global fears do not appear to have impacted on New Zealand economists' expectations much as yet.

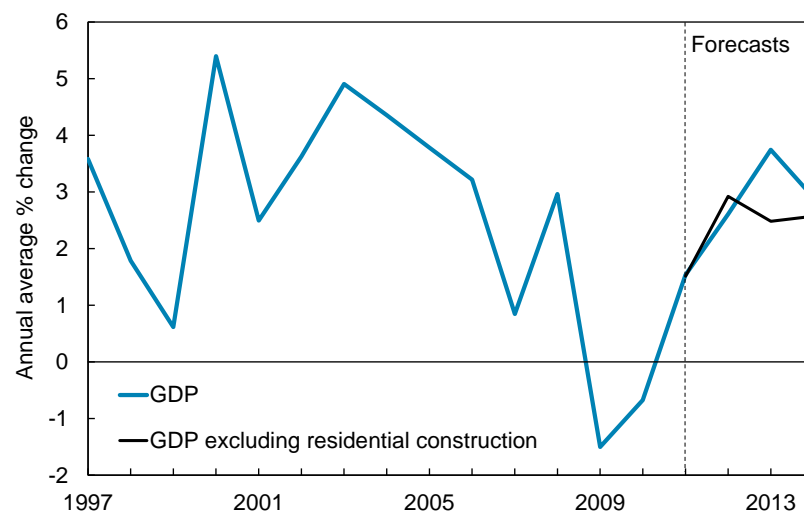
Economic growth forecasts have been revised up a touch for the next two years, according to the latest NZIER *Consensus Forecasts Survey*. Economic growth will accelerate from 1.5% in the year ending March 2011 to 2.6% in 2012 and 3.7% in 2013. The Canterbury reconstruction will be the major driver, with a more modest recovery elsewhere.

While the Canterbury reconstruction will provide a sizeable impetus, particularly to the construction sector, economists are uncertain on the actual timing and speed of reconstruction. Forecast residential construction growth ranges from 24% to 59% in the March 2013 year and the rebuild will start later than thought in June.

Surveyed economists expect inflation to average 2.7% over the next three years, near the top of the RBNZ's target band. But global risks mean rate hikes are likely to be from early 2012.

The NZD is likely to stay higher for longer. This coupled with a weaker global growth will see a more moderate, but still resilient, outlook for exports.

Economic Growth & Residential Construction

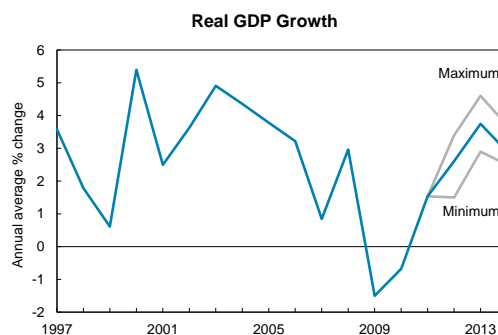


Source: Statistics NZ, NZIER

Recovery supported by construction sector

The recovery will accelerate and the outlook is slightly more optimistic than the June survey. Economists expect GDP to grow by 0.5% in the June 2011 quarter (data due 22 September). Forecasters are more optimistic about the March 2012 year (2.6% from 2.1%) but are cautious about 2013 (3.7% from 4.0%).

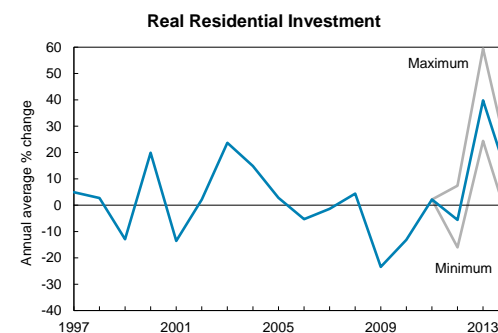
Economic growth will average 3.1% over the next 3 years. The recovery is being supported by growth in residential construction, led by the Canterbury rebuild. Without that, growth averages 2.7%. Household spending growth will be steady, rather than accelerate, and public sector spending will ease. Exports will grow less strongly, due to weaker global growth and a higher NZD.



Source: Statistics NZ, NZIER

Surging residential investment in 2013

The recovery in residential construction will be a little later according to forecasters. This likely reflects uncertainty around the timing of the Canterbury rebuild. Forecasts for the March 2012 year have been revised down (-5.6% from 2.0%). The Canterbury rebuild is still expected to boost the March 2013 year (39.8% from 37.9%), but there is a wide divergence of views on the speed of the rebound (from 24.4% to 59.4%). Activity growth will moderate to 9.8% in the March 2014 year.

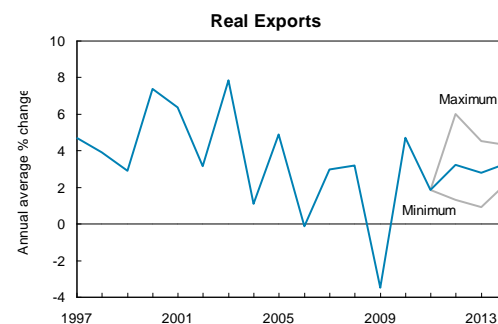


Source: Statistics NZ, NZIER

Export growth trimmed as global risks accumulate

Export growth forecasts have been trimmed, reflecting global economic uncertainty and expectations of sustained NZD strength. The outlook is resilient despite the latest downward revisions.

Forecasters expect export growth of 3.2% (down from 4.0%) in the March 2012 year, and 2.8% in March 2013 (down from 3.4%).

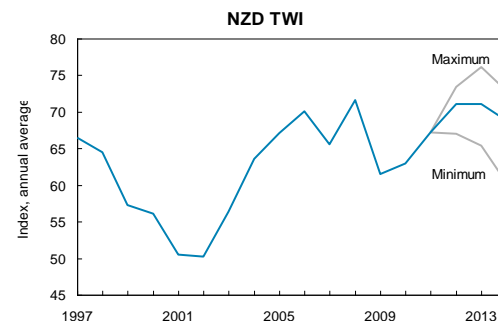


Source: Statistics NZ, NZIER

Dollar stays higher for longer

Economists expect the NZD to stay higher for longer compared to the June survey. The higher exchange rate will reduce New Zealand's export competitiveness.

Exchange rate forecasts have been revised up by around 5-6% for the 2012 and 2013 March years. The TWI will average 71.1 over the next two years, before easing back a little to 68.8 in the March 2014 year.

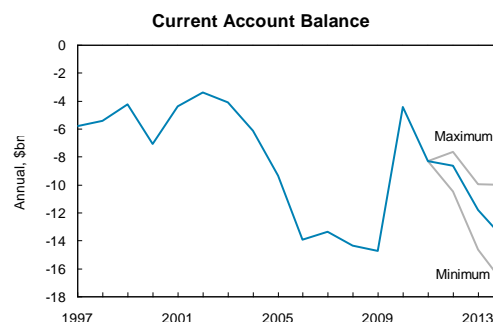


Source: RBNZ, NZIER

Current account deteriorating

The current account balance is expected to deteriorate, reversing the improvement of the past two years. Forecasters expect a current account deficit of \$8.6bn in 2012, deteriorating to \$13.7bn by 2014.

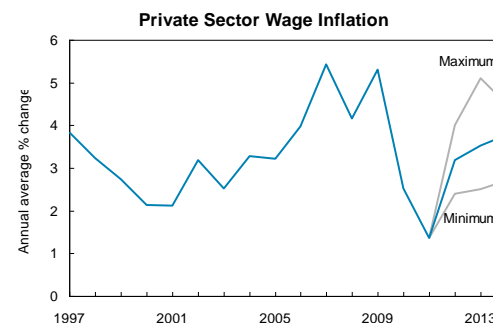
A widening current account deficit reflects insufficient domestic savings to fund investment in the economy. This can be a source of economic vulnerability when global investment appetite sours.



Source: Statistics NZ, NZIER

Real wages to improve

The labour market is recovering. Economists expect continued growth in employment and wages. Employment growth forecast for the March 2012 year has improved (1.7% from 1.3%), and is unchanged at a strong level for the March 2013 year (2.5%). This will flow through to wage growth, accelerating from 3.2% in the March 2012 year to 3.8% in the March 2014 year. This translates to around 1% real wage gains after accounting for increases in living costs. This should improve household finances and support household spending.

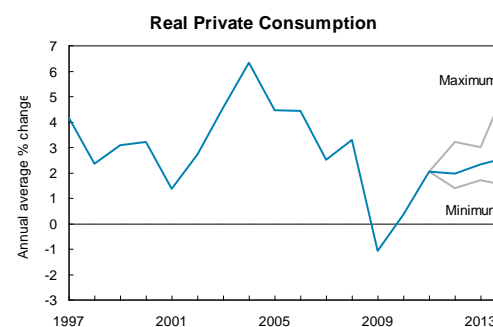


Source: Statistics NZ, NZIER

Gradual consumption growth, deleveraging continues

The outlook for private consumption is stable, with continued moderate growth. Economists expect 2.0% growth in the March 2012 year, unchanged from the previous year. Growth will trend slightly higher to 2.6% by the March 2014 year. This is more moderate than 4.2% average growth in the 5 years preceding the recession.

Economists expect public consumption growth to trend lower from 2.5% in the March 2012 year to 0.3% in the March 2014 year. This is consistent with more restrained government spending announced in the May 2011 Budget.

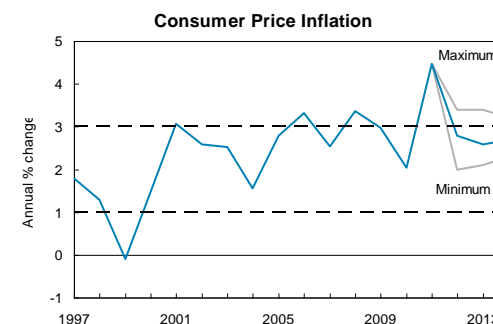


Source: Statistics NZ, NZIER

Inflation to stay within RBNZ target

The inflation outlook is flat and broadly unchanged from the June survey. Forecasters expect inflation to average 2.7% over the next three years, at the high-end of the Reserve Bank's target range.

Interest rates will trend higher over the next three years as a consequence. Economists forecast the 90 day bank bill rate to rise from 3.0% in the March 2012 year to 4.8% in the year to March 2014, an increase of 1.8 percentage points. These forecasts suggest the first OCR hike by the RBNZ will be in early 2012.



Source: Statistics NZ, NZIER

Previous and latest consensus forecasts

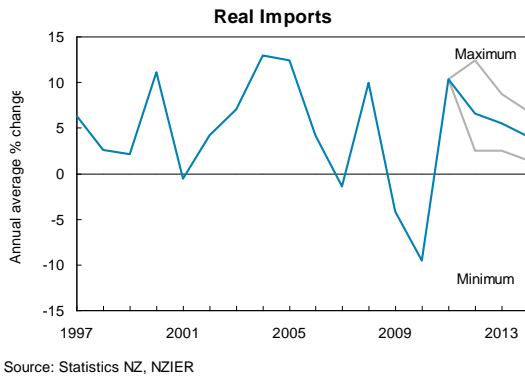
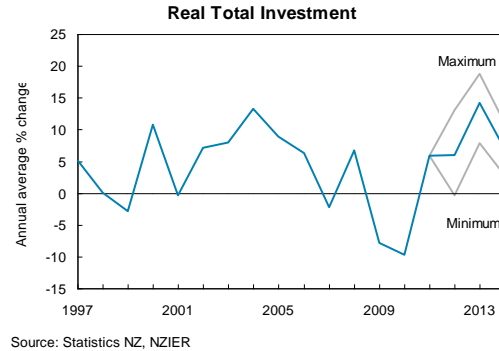
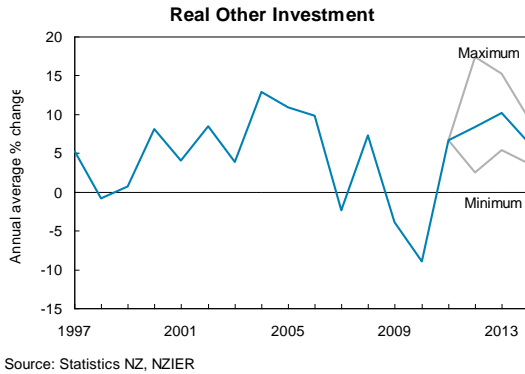
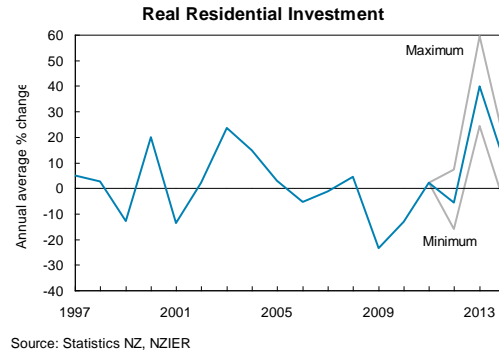
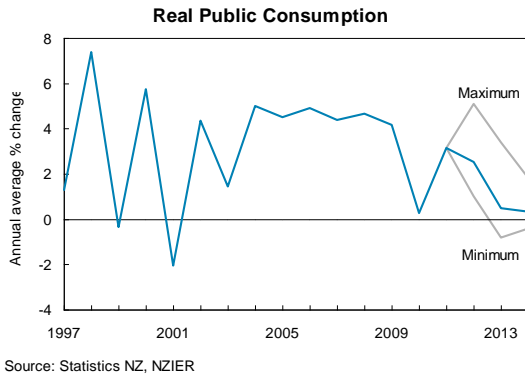
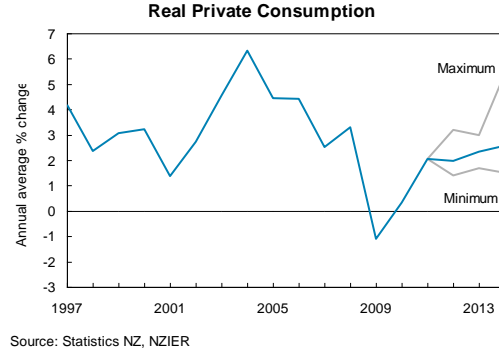
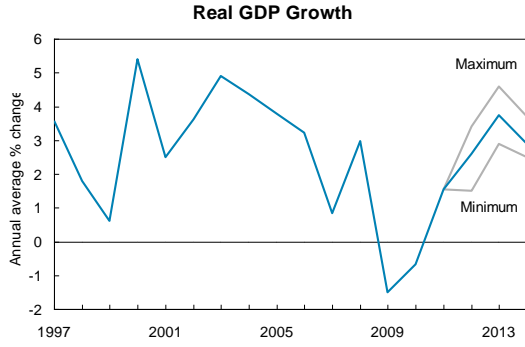
AAPC, March years	June 2011			September 2011		
	2010/11 f	2011/12 f	2012/13 f	2011/12 f	2012/13 f	2013/14 f
GDP	1.1	2.1	4.0	2.6	3.7	2.9
Private consumption	1.7	1.9	2.4	2.0	2.3	2.6
Public consumption	2.3	2.1	0.6	2.5	0.5	0.3
Fixed investment						
Residential	1.8	2.0	37.9	-5.6	39.8	9.8
Other	6.8	8.6	10.9	8.3	10.2	6.4
Total	6.2	7.6	14.4	6.0	14.1	7.0
Exports, goods and services	1.8	4.0	3.4	3.2	2.8	3.3
Imports, goods and services	10.2	7.5	4.9	6.6	5.5	4.0
Consumer price index (apc)	4.5	2.8	2.7	2.8	2.6	2.7
New Zealand TWI (Ave for yr to Mar)	67.2	67.6	66.9	71.1	71.1	68.8
90 day bank bill (Ave for yr to Mar)	3.1	2.9	4.2	3.0	4.1	4.8
10 year government stock (Ave for yr to Mar)	5.5	5.6	6.1	5.1	5.5	5.6
Balance of payments (current a/c; NZ\$m; Mar yr)	1,182	-8,286	-11,551	-8,664	-11,817	-13,772
Employment (apc, Mar yr)	1.7	1.3	2.5	1.7	2.5	1.7
Unemployment rate (% of labour force; Mar)	6.6	6.1	5.3	6.0	5.2	4.8
Private sector wages (hourly; aapc)	1.5	2.9	3.5	3.2	3.5	3.8
Government operating balance (NZ\$m; Jun yr)	-10,125	-8,195	-3,782	-9,253	-3,554	923

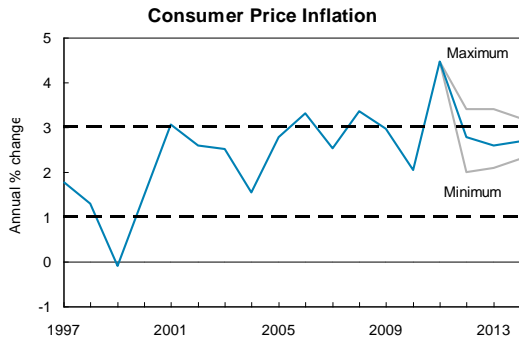
Summary of results – September 2011 survey

QPC, quarters	June 2011			September 2011		
	Low	Mean	High	Low	Mean	High
GDP (seasonally adjusted, qpc)	-0.1	0.5	1.0	0.1	0.8	1.1
CPI (qpc)				0.4	0.7	1.0

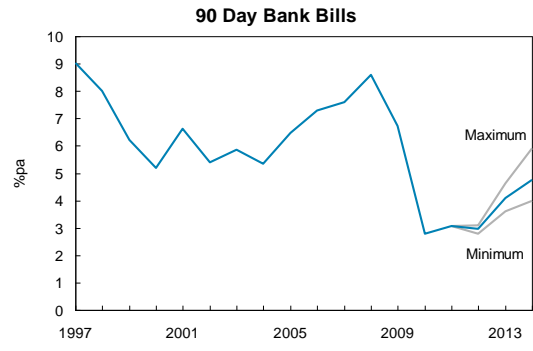
AAPC, March years	2011/12 f			2012/13 f			2013/14 f		
	Low	Mean	High	Low	Mean	High	Low	Mean	High
GDP	1.5	2.6	3.4	2.9	3.7	4.6	2.5	2.9	3.7
Private consumption	1.4	2.0	3.2	1.7	2.3	3.0	1.5	2.6	5.4
Public consumption	1.0	2.5	5.1	-0.8	0.5	3.4	-0.4	0.3	1.8
Fixed investment									
- Residential	-16.0	-5.6	7.4	24.4	39.8	59.4	-6.5	9.8	17.4
- Other	2.5	8.3	17.4	5.4	10.2	15.2	3.7	6.4	9.5
- Total	-0.3	6.0	13.1	7.9	14.1	18.8	2.8	7.0	11.0
Exports, goods and services	1.3	3.2	6.0	0.9	2.8	4.5	2.2	3.3	4.3
Imports, goods and services	2.5	6.6	12.4	2.5	5.5	8.7	1.4	4.0	6.8
Consumer price index (apc)	2.0	2.8	3.4	2.1	2.6	3.4	2.3	2.7	3.2
New Zealand TWI (Ave for yr to Mar)	67.0	71.1	73.4	65.4	71.1	76.1	60.3	68.8	72.9
90 day bank bill (Ave for yr to Mar)	2.8	3.0	3.1	3.6	4.1	4.6	4.0	4.8	5.9
10 year government stock (Ave for yr to Mar)	4.5	5.1	5.7	4.8	5.5	6.0	5.0	5.6	6.4
Balance of payments (current a/c; NZ\$m; Mar yr)	-10,500	-8,664	-7,675	-14,626	-11,817	-9,951	-17,012	-13,772	-10,008
Employment (apc, Mar yr)	1.3	1.7	2.3	1.7	2.5	3.5	1.4	1.7	2.0
Unemployment rate (% of labour force; Mar)	5.7	6.0	6.3	4.7	5.2	5.8	4.2	4.8	5.4
Private sector wages (hourly; aapc)	2.4	3.2	4.0	2.5	3.5	5.1	2.7	3.8	4.5
Government operating balance (NZ\$m; Jun yr)	-17,100	-9,253	-6,000	-8,800	-3,554	0	-1,145	923	2,500

Summary charts

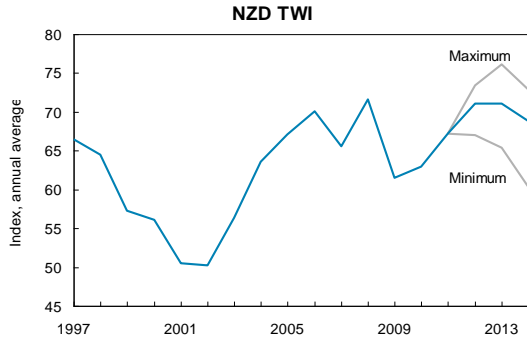




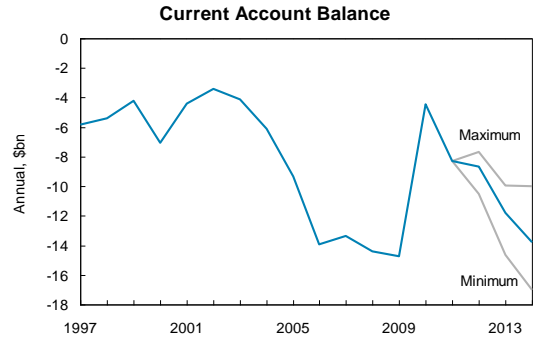
Source: Statistics NZ, NZIER



Source: RBNZ, NZIER



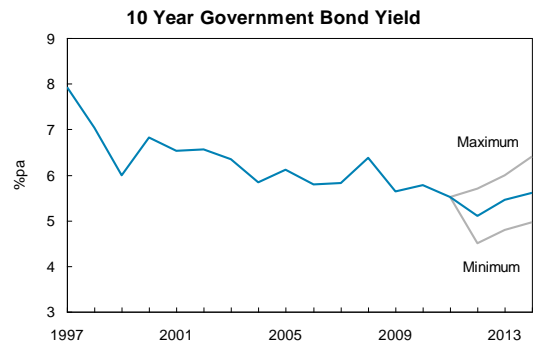
Source: RBNZ, NZIER



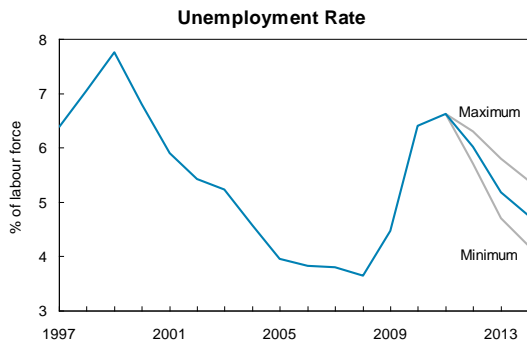
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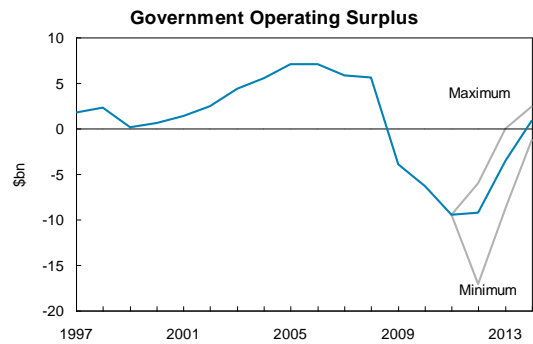
Source: Statistics NZ, NZIER



Source: RBNZ, NZIER



Source: Statistics NZ, NZIER



Source: Treasury, NZIER

Respondents

ANZ-National Bank
ASB Bank
Bank of New Zealand
Deutsche Bank
First NZ Capital
Goldman Sachs

New Zealand Institute of Economic Research
Reserve Bank of New Zealand
The Treasury
UBS
Westpac

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