

Consensus Forecasts

Embargoed until 10am, Tuesday 23 March 2010

Prepared by Peter O'Connor
 Incorporating returns received up to Tuesday 16 March 2010

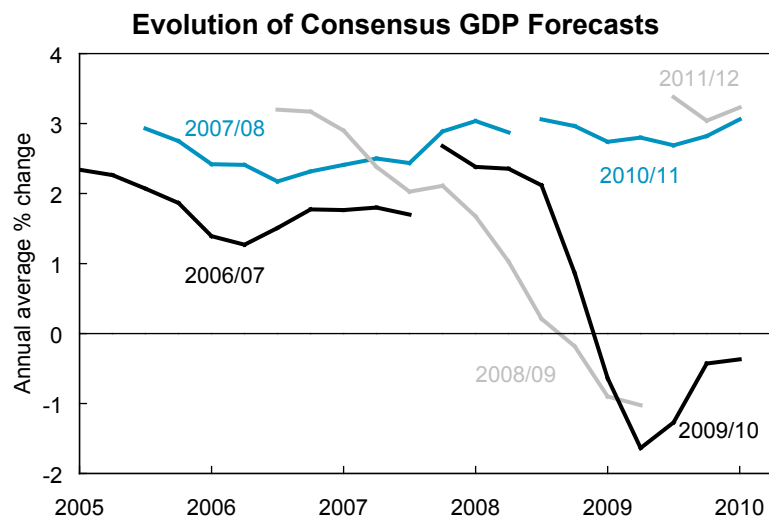
The NZIER Consensus Forecasts are an average of New Zealand economic forecasts compiled from a survey of financial and economic agencies. These are not NZIER's forecasts. The average forecasts do not necessarily represent the views of individual participants. Forecasts are for March years, e.g. 2009/10 refers to the year ended March 2010.

Uncertain but optimistic recovery

The economy is recovering and the outlook is positive according to economic forecasters in the latest NZIER Consensus Forecasts Survey. Cautious optimism was reflected in modest upward revisions to most main indicators. GDP forecasts for the March 2010 year remained flat at -0.4% as the year draws to an end.

The economic growth outlook is brighter for 2011 (3.1%, up from 2.8% in the December survey) and 2012 (3.2% from 3.0%). However, views remain mixed. The forecast range is wide, from a paltry 1.8%, to a flourishing 4.1%. The unemployment rate is expected to peak at 7.2% in March 2010 and gradually recede to 6.2% in March 2012. Sustained high unemployment levels will cap wage growth for the foreseeable future.

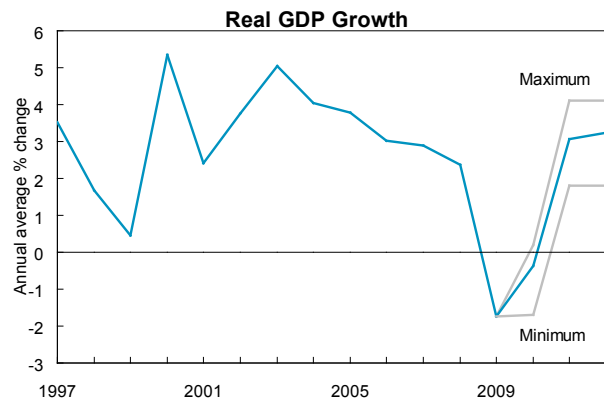
A recovering economy is yet to deliver much good news for households. The exchange rate is expected to be flat on average, but the outlook is wildly divergent among forecasters. Forecasts range from reclaiming recent highs to plunging towards historic lows.



Source: NZIER

Recovery gathers momentum

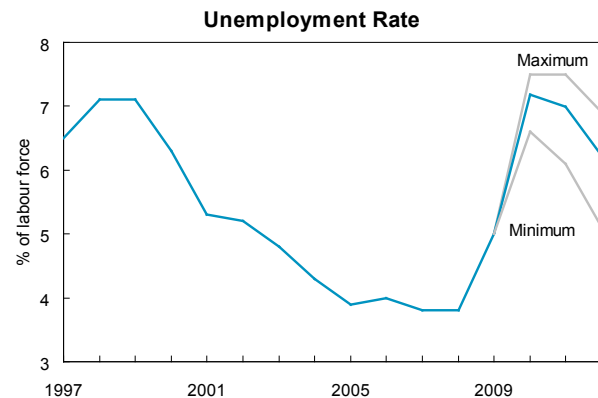
Forecasters are more optimistic of the economic outlook. GDP growth forecasts have been revised upwards. The March 2010 year forecast remained unchanged at -0.4%, as much of the data has been released. Forecasters expect quarterly GDP growth of 0.9% in the December quarter (data due 25 March) and 0.7% in the March 2010 quarter. The outlook for March 2011 is robust at 3.1% (up from 2.8% in the previous survey). However, there is a wide range of forecasts (1.8% to 4.1%), reflecting an uncertain outlook. Forecasts for the March 2012 year are solid at 3.2% (from 3.0%).



Source: Statistics NZ, NZIER

Unemployment to peak in 2010

The unemployment rate is near its peak. Forecasters expect it to peak at 7.2% in the March 2010 year (up from 7.0% in the previous survey). A subdued economic recovery means the unemployment rate is expected to remain elevated in the forecast horizon. The unemployment rate is expected to gradually recede to 6.2% by March 2012, a still elevated level compared to the sub-4% levels through much of 2005 to 2008. An elevated unemployment rate is expected to cap wage growth.

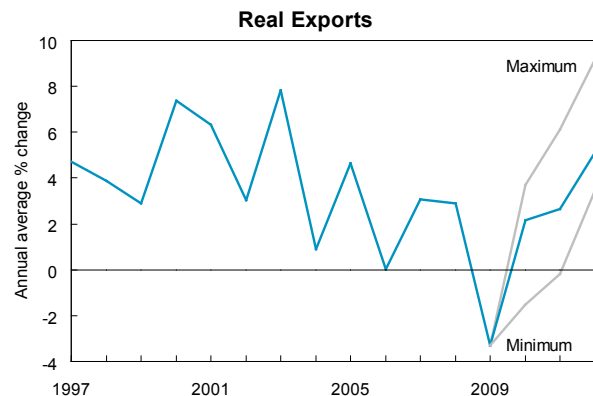


Source: Statistics NZ, NZIER

Exports and imports recover strongly

The export outlook has brightened, in line with a recovering global economy. Forecasters expect exports to rise by 2.2% in March 2010 (up from 0.7% previously). Forecasts have been revised up for 2011 (2.7% from 1.7%) and 2012 (5.1% from 4.5%).

Import growth is expected to pick up in line with a domestic recovery. A strong recovery in imports may see the trade balance worsening through the forecast horizon.

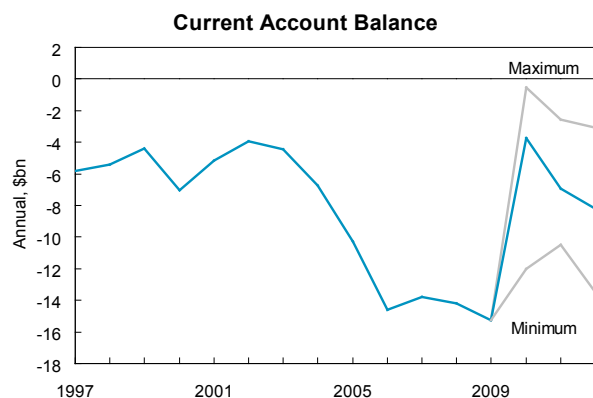


Source: Statistics NZ, NZIER

Current account outlook improving

The current account deficit is expected to remain relatively small through the forecast horizon. There is a wide divergence of views, ranging from very small deficits to the deficit widening to recent high levels.

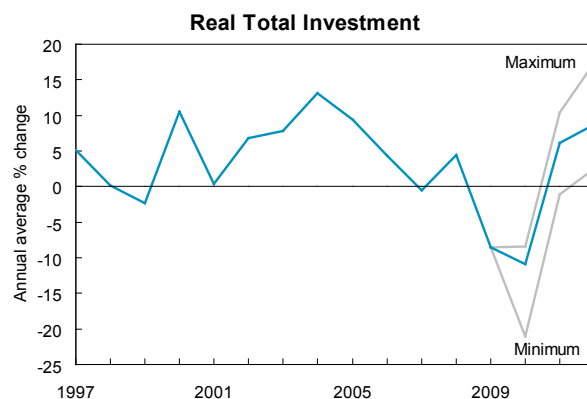
The current account balance has been boosted recently by the tax charges on the banking sector. This impact will fade over the coming year.



Source: Statistics NZ, NZIER

Gloomy investment to rebound

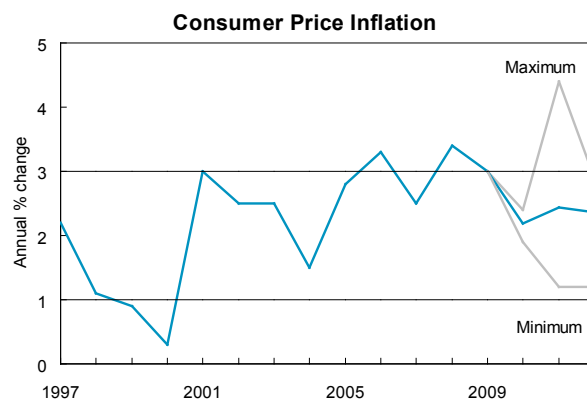
Investment activity is forecast to contract significantly in March 2010 (-10.9% from -10.7%), but recover in March 2011 (6.1% from 3.8%) and March 2012 (8.7% from 8.3%). Within this, forecasters trimmed back the residential construction sector recovery, but boosted the recovery track for other investment.



Source: Statistics NZ, NZIER

Inflation creeping higher

Inflation forecasts have nudged higher from the December survey, but remain within the RBNZ's 1%-3% target band over the forecast horizon. Inflation is expected to remain between 2.2% and 2.4% between March 2010 and March 2012. Forecasters are now mindful of a potential GST increase and a raft of administrative price increases (ETS and ACC charges) in the March 2011 year.



Source: Statistics NZ, NZIER

Real wages to decline

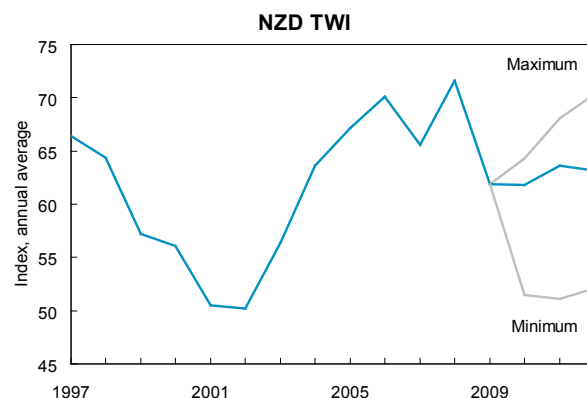
Forecasters expect wage inflation to be subdued over the forecast horizon. Wages are expected to grow by 1.9% in March 2011 (down from 2.2% in the previous survey). Wage inflation is expected to pick up in March 2012 as new hiring resumes (2.6% from 2.4%). This implies that real wages are likely to decline in March 2011 and remain flat through March 2012, which may dampen a recovery in household spending.



Source: Statistics NZ, NZIER

Haphazard kiwi outlook

The exchange rate outlook remains wildly divergent. On average, forecasters expect modest NZD appreciation over coming years. However, forecasts range from reclaiming recent highs, to diving towards 2002 lows. Uncertainty on the exchange rate outlook remains a key issue for exporters and importers. The consensus forecast for the NZD trade weighted index is 61.8, 63.6 and 63.1 in March 2010, March 2011 and March 2012 respectively.



Source: RBNZ, NZIER

Previous and latest consensus forecasts

AAPC, March years	December 2009			March 2010		
	2009/10 f	2010/11 f	2011/12 f	2009/10 f	2010/11 f	2011/12 f
GDP	-0.4	2.8	3.0	-0.4	3.1	3.2
Private consumption	-0.2	1.7	1.8	0.3	2.2	1.8
Public consumption	1.3	2.1	1.9	0.7	1.9	1.9
Fixed investment						
Residential	-11.4	17.4	12.3	-13.3	16.8	11.3
Other	-11.1	4.1	7.2	-11.5	3.7	7.9
Total	-10.7	3.8	8.3	-10.9	6.1	8.7
Exports, goods and services	0.7	1.7	4.5	2.2	2.7	5.1
Imports, goods and services	-12.4	5.6	5.6	-12.1	7.3	6.2
Consumer price index (apc)	2.3	2.1	2.3	2.2	2.4	2.4
New Zealand TWI (Ave for yr to Mar)	62.3	64.0	62.3	61.8	63.6	63.1
90 day bank bill (Ave for yr to Mar)	2.8	3.9	5.3	2.8	3.7	5.1
10 year government stock (Ave for yr to Mar)	5.7	6.0	6.4	5.8	6.1	6.4
Balance of payments (current a/c; NZ\$m; Mar yr)	-7,370	-9,740	-11,088	-3,724	-6,942	-8,180
Employment (apc, Mar yr)	-1.8	1.3	2.1	-1.4	1.6	2.3
Unemployment rate (% of labour force; Mar)	7.0	7.0	6.3	7.2	7.0	6.2
Private sector wages (hourly; aapc)	3.5	2.2	2.4	3.3	1.9	2.6
Government operating balance (NZ\$m; Jun yr)	-6,215	-7,185	-6,995	-5,679	-5,987	-4,950

Note: aapc = annual average percent change, apc = annual percent change

Summary of results – March 2010 survey

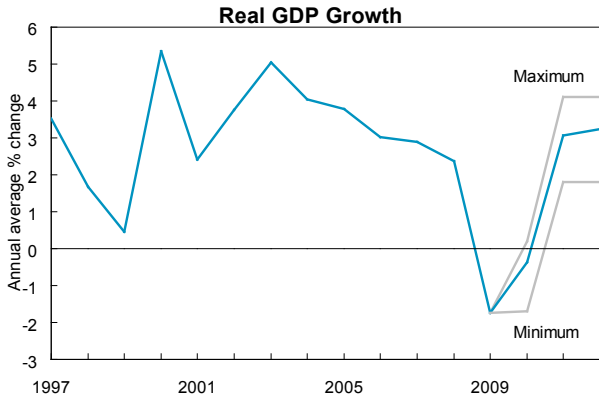
QPC, quarters	December 2009			March 2010		
	Low	Mean	High	Low	Mean	High
GDP (seasonally adjusted, qpc)	0.5	0.9	1.8	0.3	0.7	1.1
CPI (qpc)				0.3	0.5	0.7

AAPC, March years	2009/10 f			2010/11 f			2011/12 f		
	Low	Mean	High	Low	Mean	High	Low	Mean	High
GDP	-1.7	-0.4	0.2	1.8	3.1	4.1	1.8	3.2	4.1
Private consumption	-1.3	0.3	0.7	-1.5	2.2	3.6	-0.1	1.8	2.9
Public consumption	0.2	0.7	3.3	-0.6	1.9	2.8	1.1	1.9	2.3
Fixed investment									
- Residential	-22.7	-13.3	-9.5	1.9	16.8	25.8	0.5	11.3	25.6
- Other	-20.7	-11.5	-8.2	-1.6	3.7	8.3	1.9	7.9	17.1
- Total	-21.0	-10.9	-8.4	-1.1	6.1	10.4	2.5	8.7	17.4
Exports, goods and services	-1.5	2.2	3.7	-0.2	2.7	6.1	3.5	5.1	9.2
Imports, goods and services	-14.3	-12.1	-10.8	0.6	7.3	14.9	2.4	6.2	9.1
Consumer price index (apc)	1.9	2.2	2.4	1.2	2.4	4.4	1.2	2.4	2.9
New Zealand TWI (Ave for yr to Mar)	51.5	61.8	64.3	51.1	63.6	68.1	52.1	63.1	70.3
90 day bank bill (Ave for yr to Mar)	2.7	2.8	2.9	2.5	3.7	4.5	3.2	5.1	5.8
10 year government stock (Ave for yr to Mar)	5.2	5.8	6.0	5.2	6.1	6.7	5.5	6.4	6.9
Balance of payments (current a/c; NZ\$m; Mar yr)	-12,016	-3,724	-536	-10,500	-6,942	-2,553	-13,500	-8,180	-3,051
Employment (apc, Mar yr)	-4.1	-1.4	0.9	-0.5	1.6	2.6	1.7	2.3	3.2
Unemployment rate (% of labour force; Mar)	6.6	7.2	7.5	6.1	7.0	7.5	5.1	6.2	6.9
Private sector wages (hourly; aapc)	2.4	3.3	4.1	1.4	1.9	3.4	1.0	2.6	4.0
Government operating balance (NZ\$m; Jun yr)	-7,539	-5,679	-2,921	-7,130	-5,987	-3,723	-7,570	-4,950	-2,370

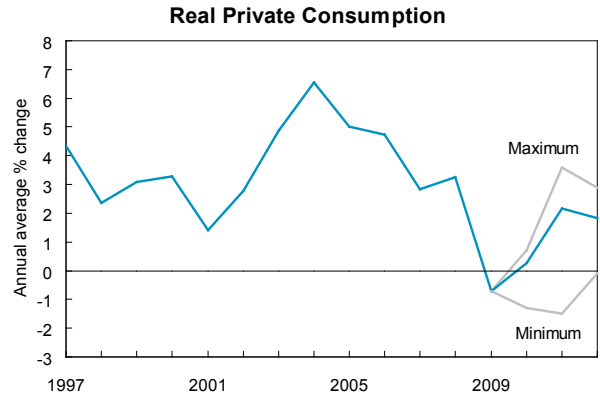
Notes: aapc = annual average percent change, apc = annual percent change, qpc = quarterly percent change

These results show only means; standard deviations are available on request

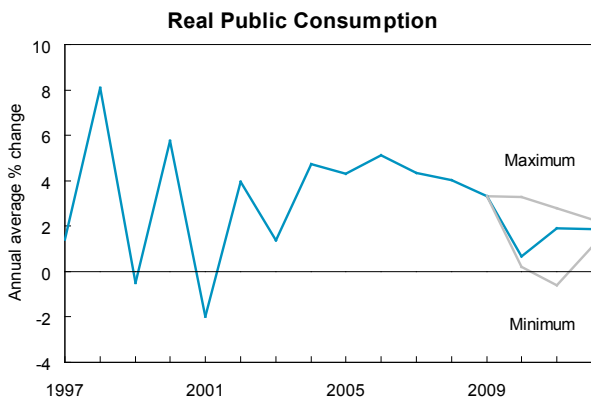
Summary charts



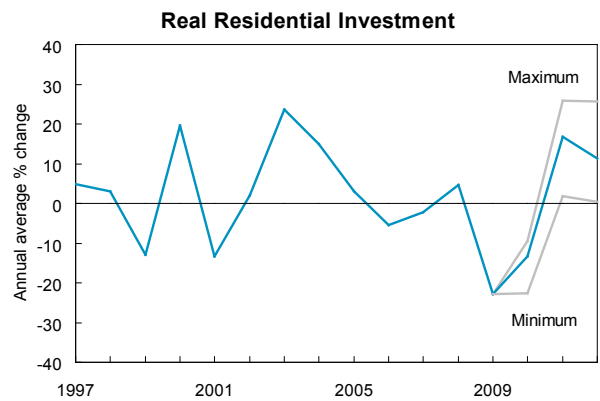
Source: Statistics NZ, NZIER



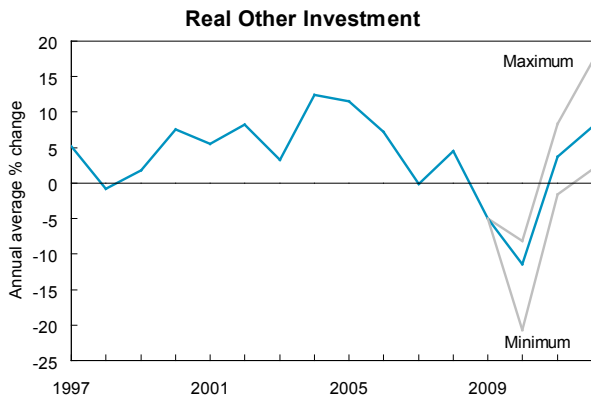
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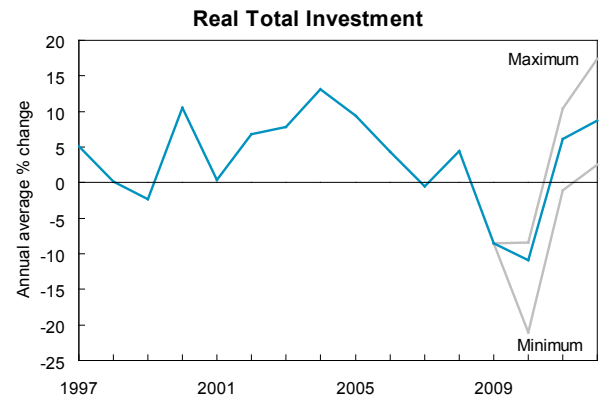
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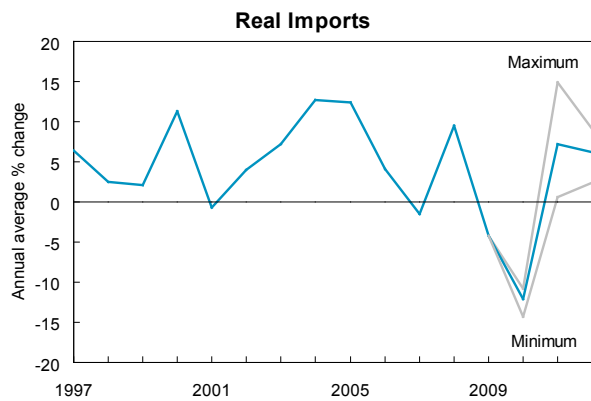
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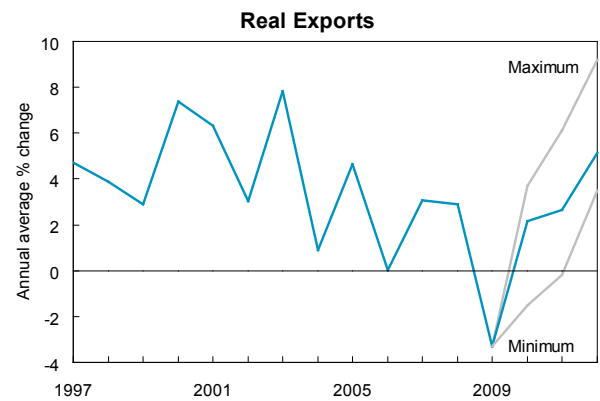
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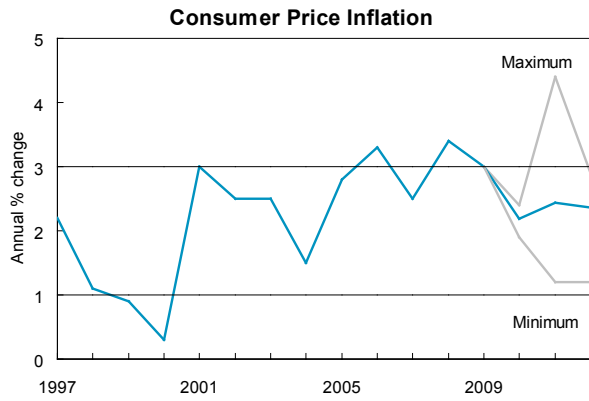
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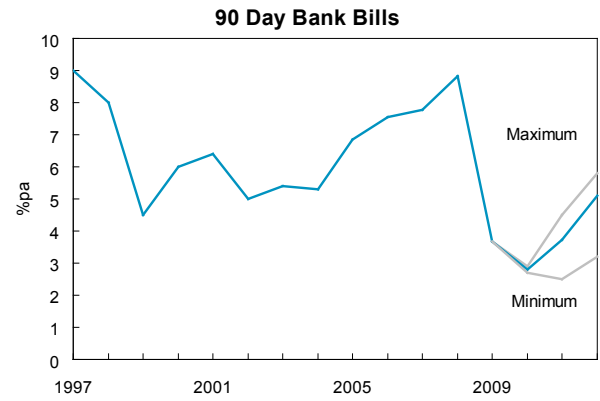
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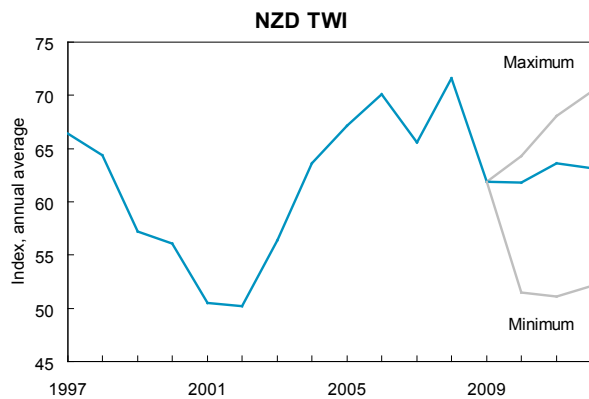
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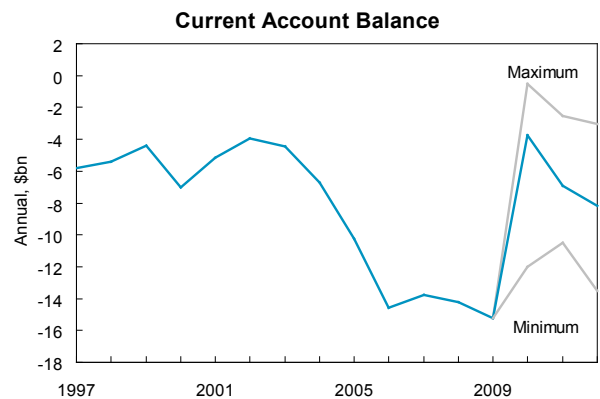
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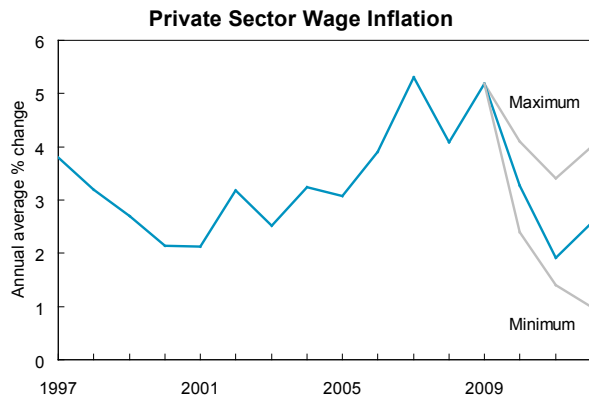
Source: RBNZ, NZIER



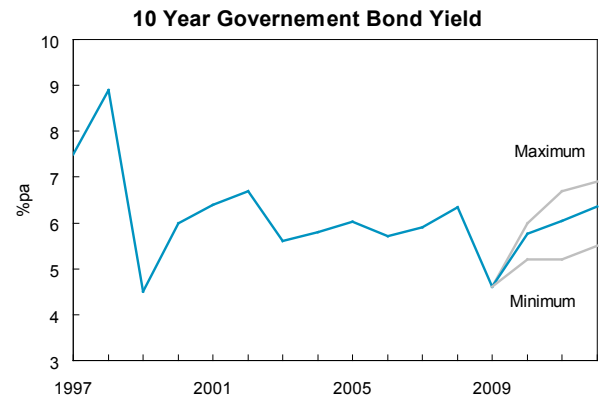
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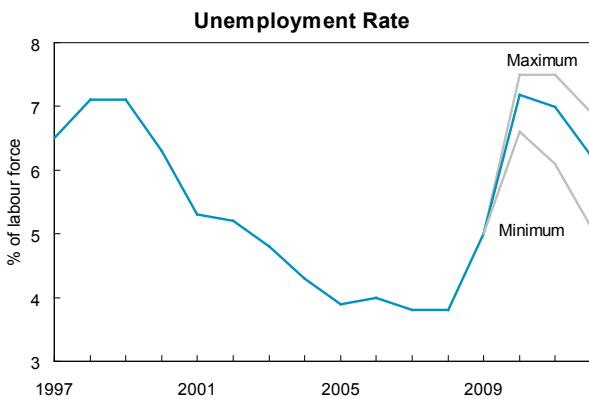
Source: Statistics NZ, NZIER



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

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