

# 2011: De-leveraging continues

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# 2011: A hard slog

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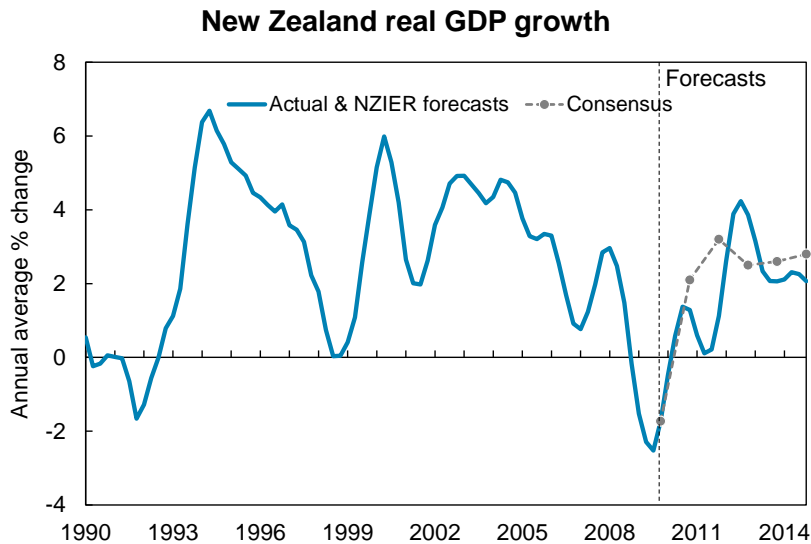
- ▶ Theme: De-leveraging
- ▶ Growth to average 1-1½% in 2011 (Consensus 3%)
- ▶ Growth to resume from mid-2011
- ▶ Slow recovery in new hiring
- ▶ More investment in training/education
- ▶ RBNZ on hold until at least late 2011

# Key risks

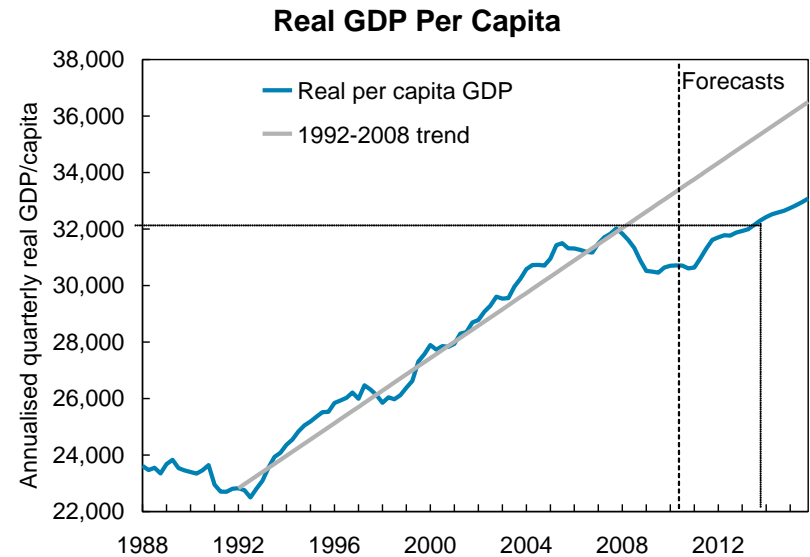
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- ▶ Key risks to the economic outlook:
  - Double dip recession
  - Slowing global growth
  - Commodity prices
  - Ratings cut

# The economy is recovering, but in a soft patch now

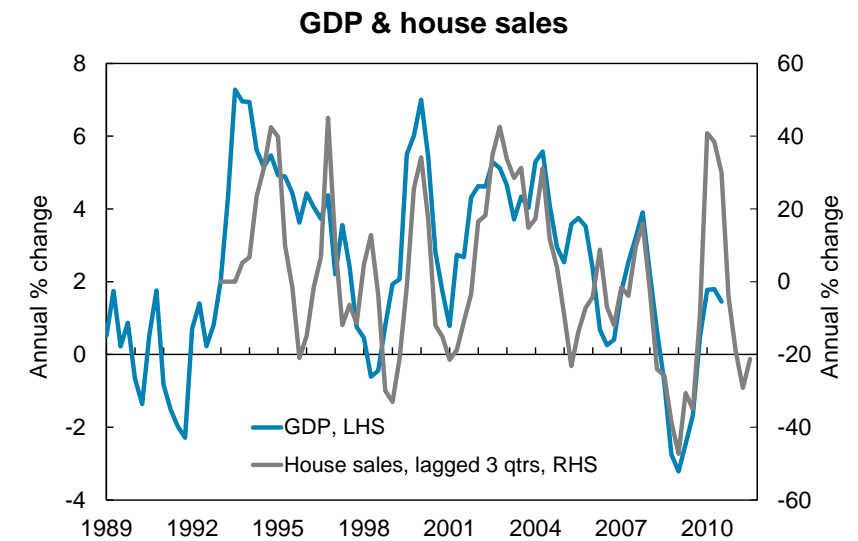
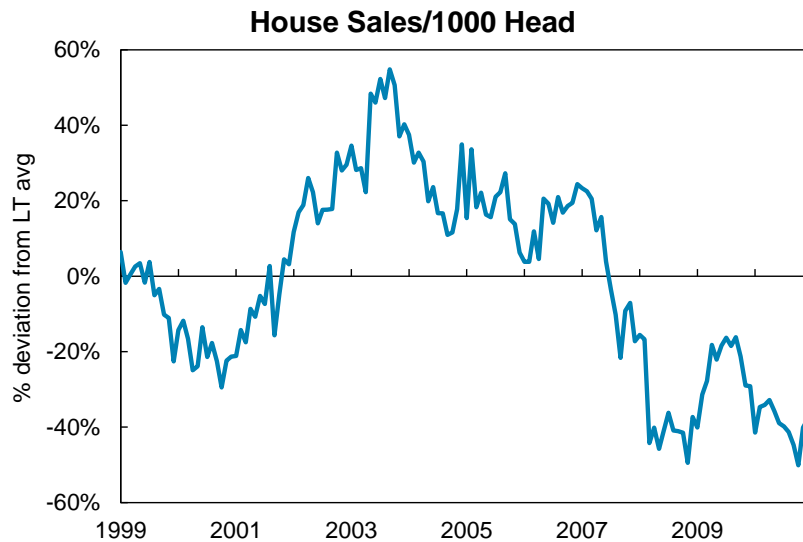


Source: Statistics NZ, Focus Economics, NZIER



Source: Statistics NZ, NZIER

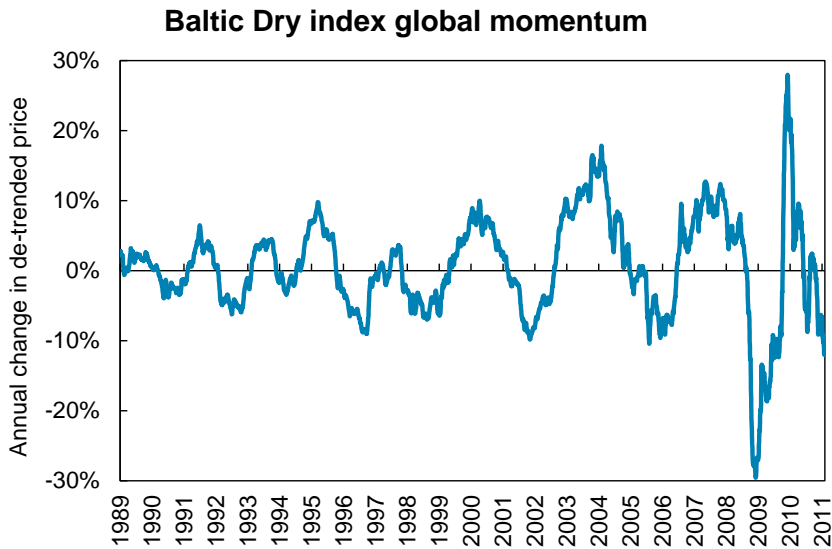
# Leading indicators show a very weak summer



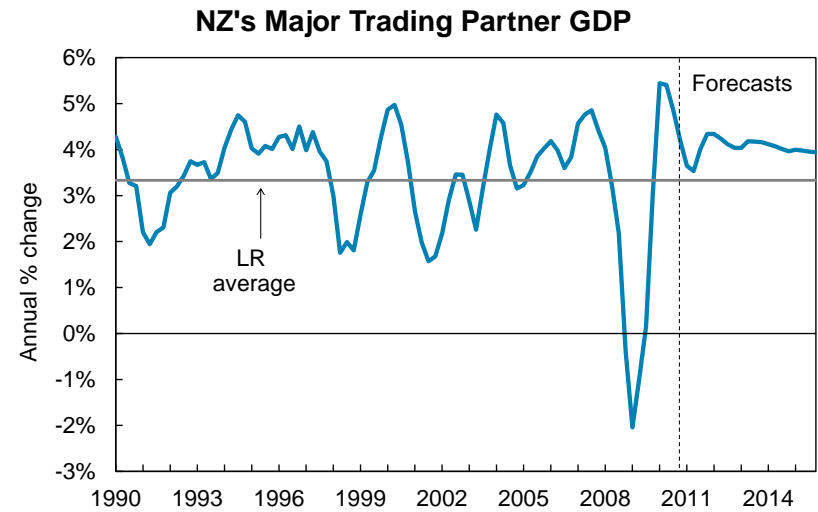
Source: REINZ, NZIER

Source: Statistics NZ, REINZ, NZIER

# Global outlook positive, but plenty of risks



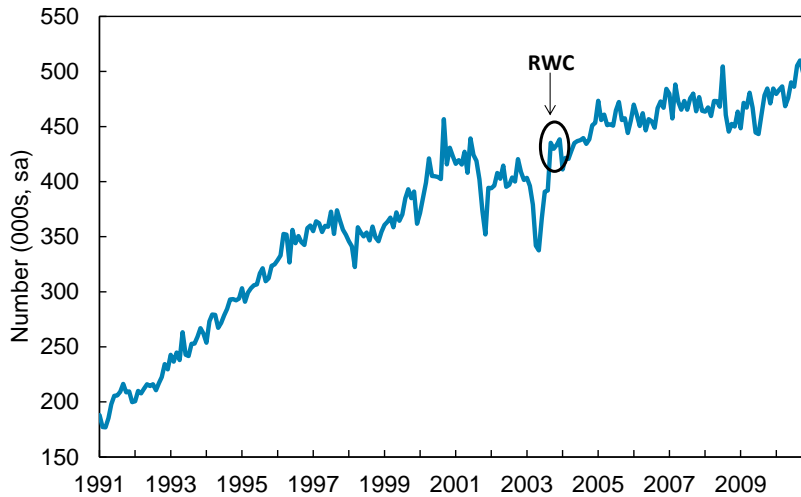
Source: DataStream, NZIER



Source: Statistics NZ, DataStream, Consensus Economics, NZIER

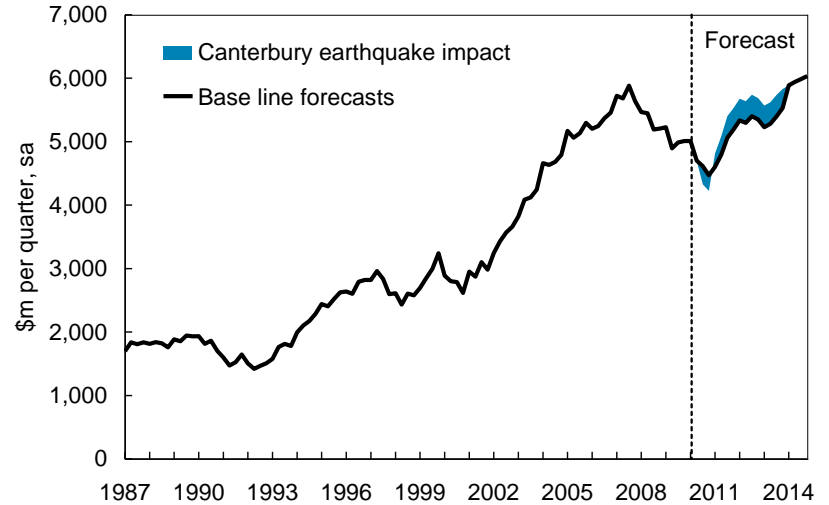
# RWC impact tiny; Canterbury earthquake will provide only a small offset

**Australian Visitor Arrivals**



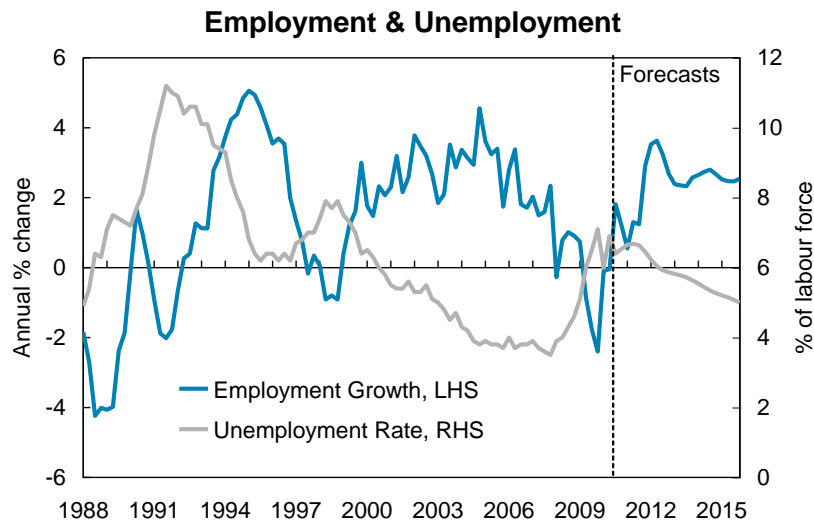
Source: ABS, NZIER

**Construction sector outlook**

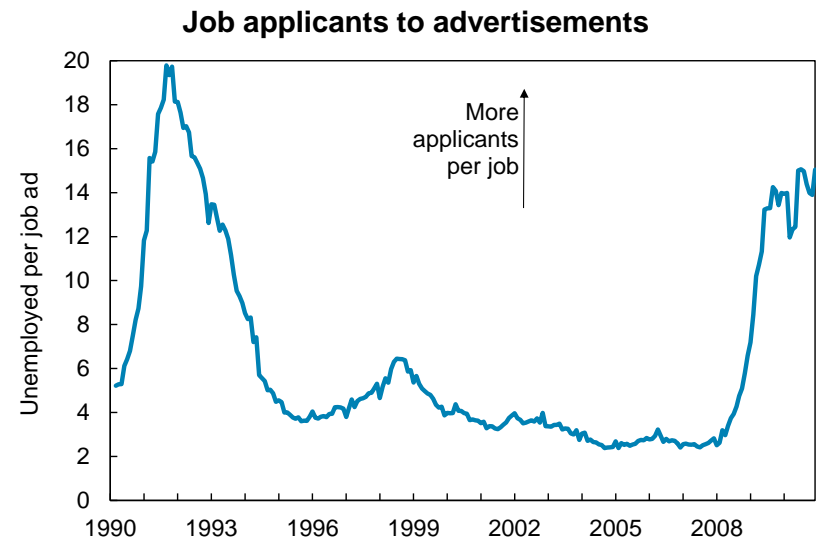


Source: Statistics NZ, NZIER

# Labour market flat, but wages to remain under pressure



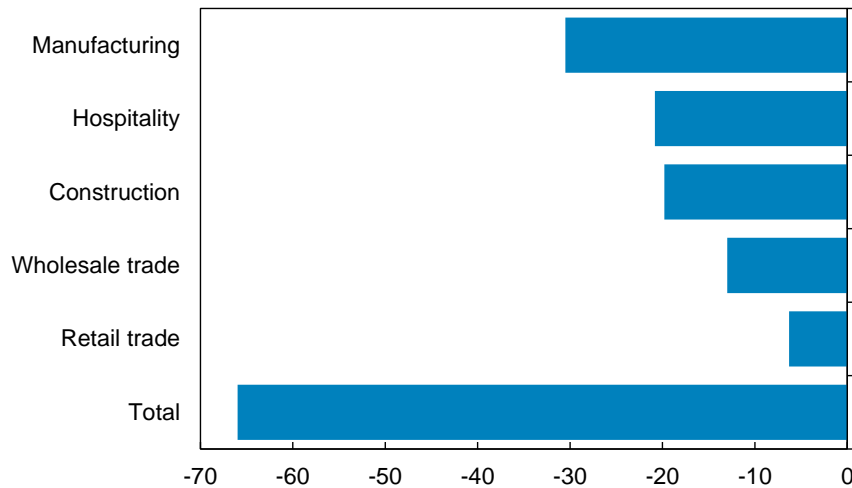
Source: Statistics NZ, NZIER



Source: Statistics NZ, DOL, ANZ, NZIER

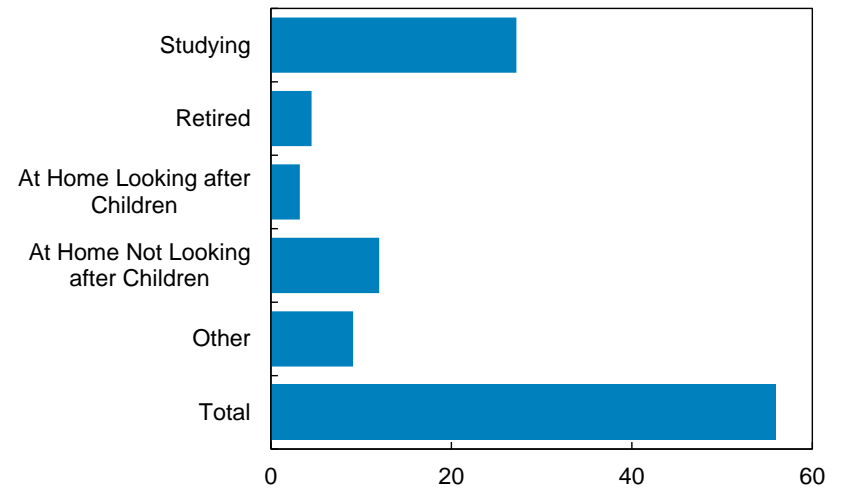
# Job losses in expected sectors, but more training evident

Filled Jobs Change (D-07 to D-10)



Source: Statistics NZ, NZIER

Reason for leaving labour force (D-07 to D-10)

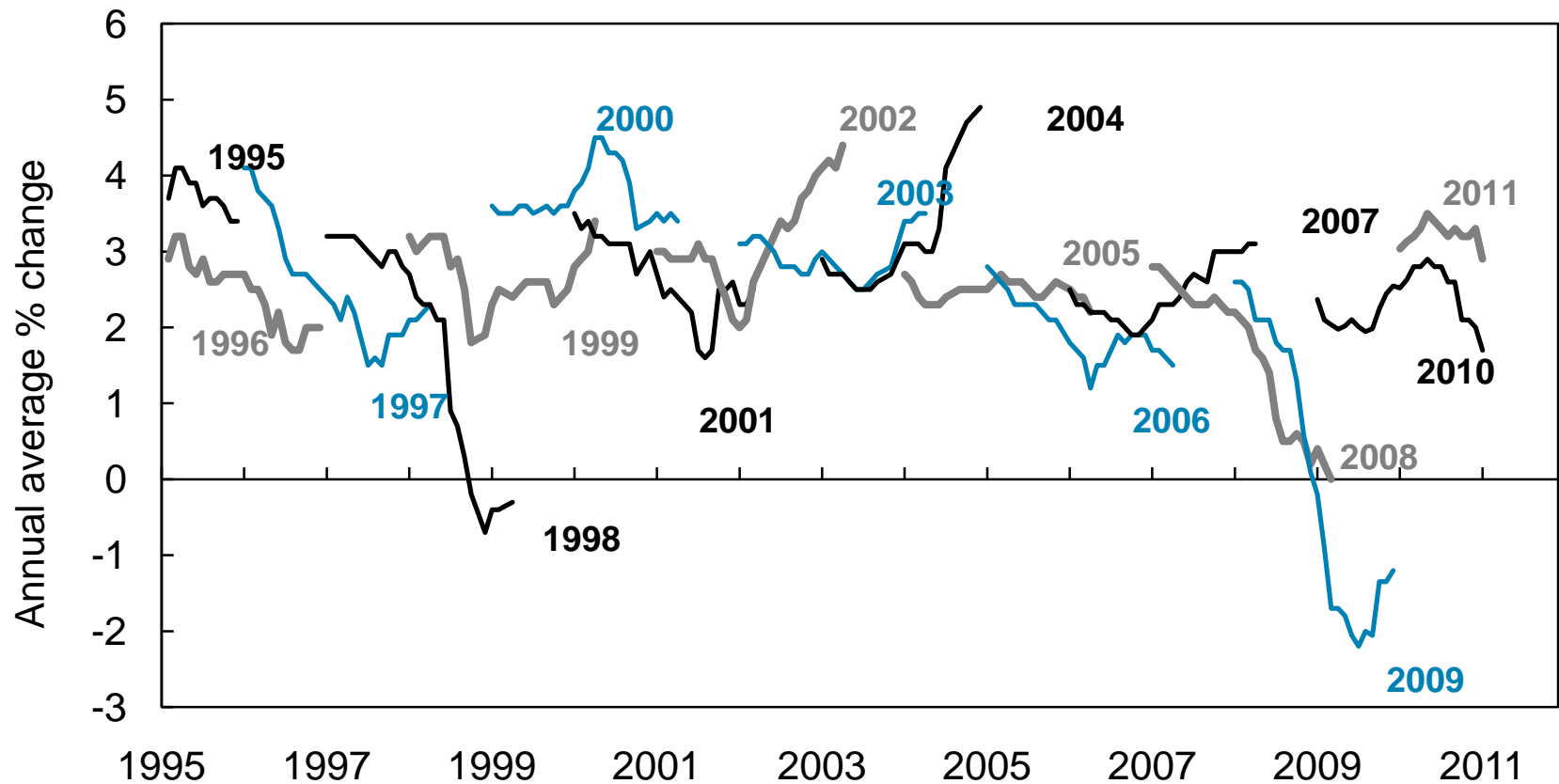


Source: Statistics NZ, NZIER

Optional slides follow

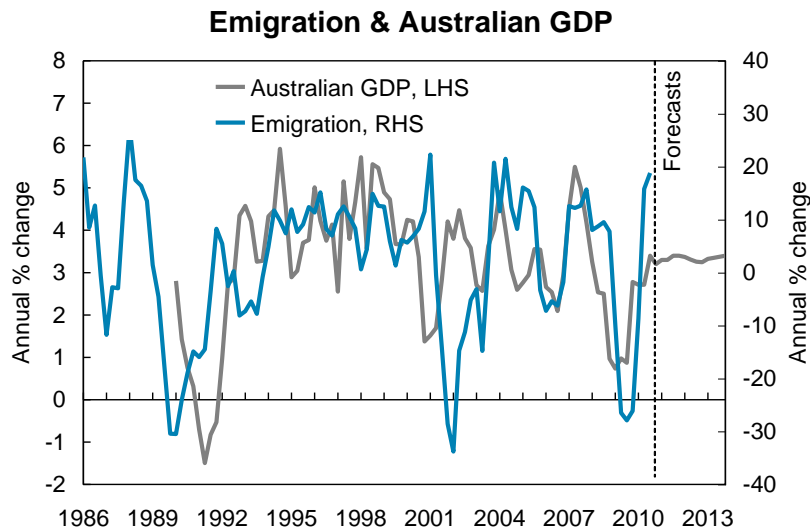
# Be cautious of forecasts

## Consensus NZ GDP Growth Forecasts

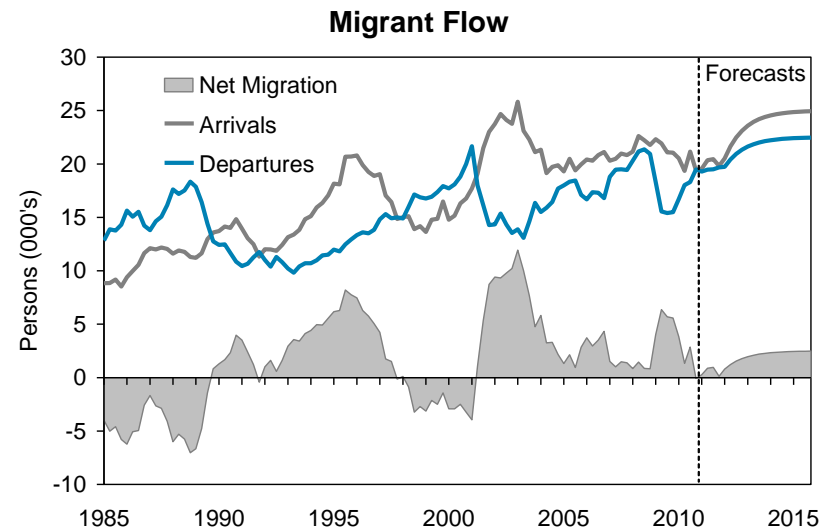


Source: Consensus Economics

# Net migration to remain subdued

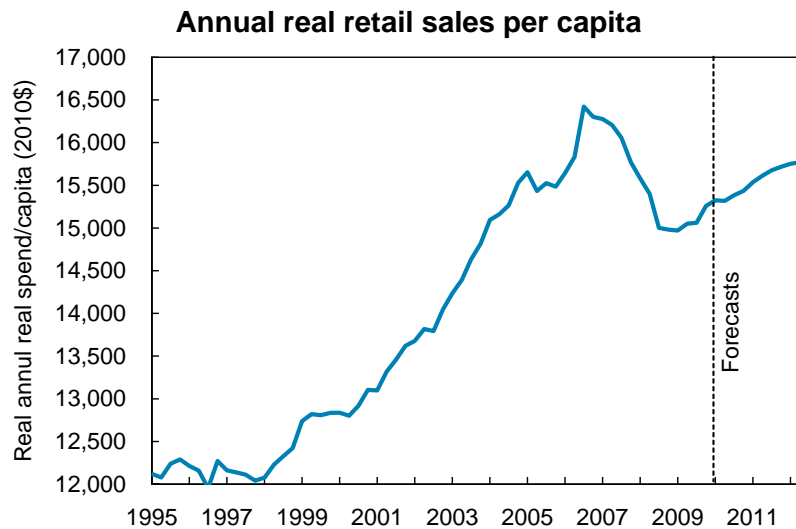


Source: Statistics NZ, NZIER

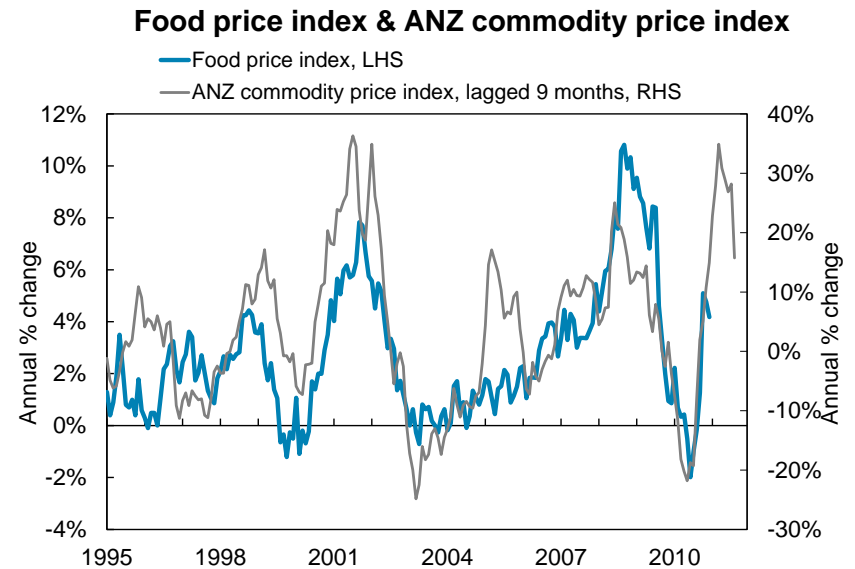


Source: Statistics NZ, NZIER

# Household spending recovering gradually; food and fuel price big risks

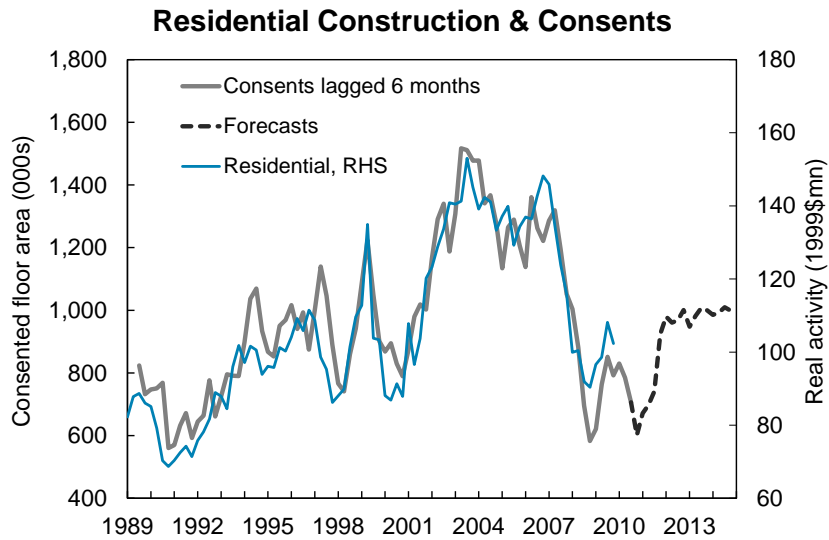


Source: Statistics NZ, NZIER

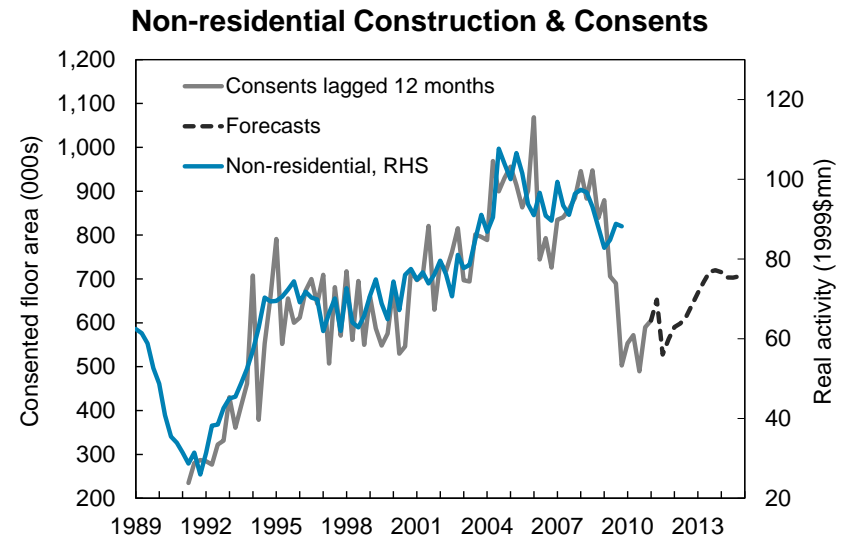


Source: Statistics NZ, ANZ Bank, NZIER

# Construction outlook weak



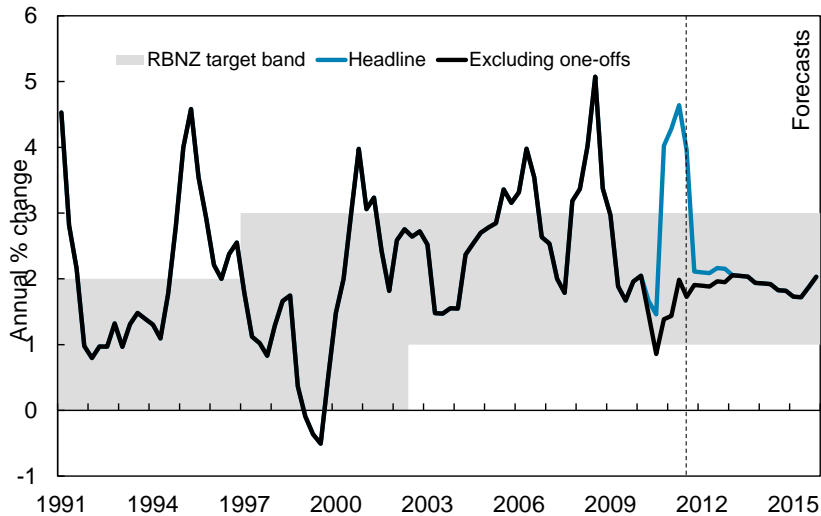
Source: Statistics NZ, NZIER



Source: Statistics NZ, NZIER

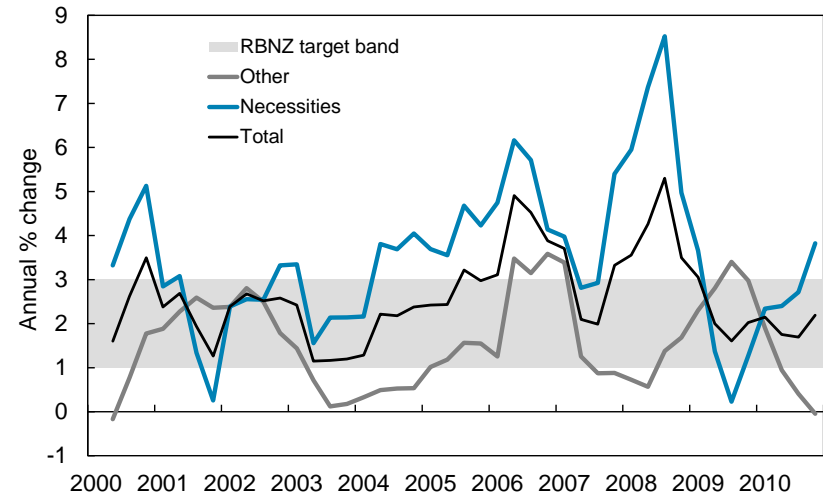
# Inflation to spike; underlying trend subdued

Consumer Price Inflation



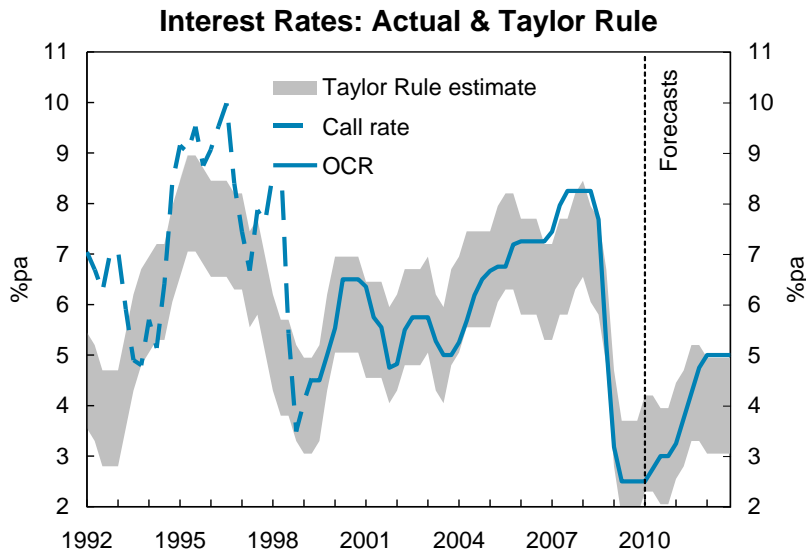
Source: Statistics NZ, NZIER

Inflation by type

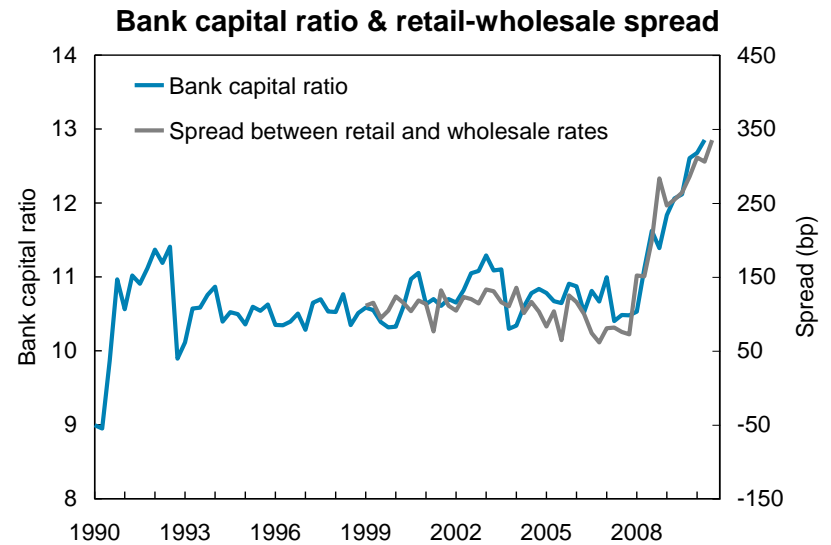


Source: Statistics NZ, NZIER

# Interest rates will eventually rise; but not till mid 2011

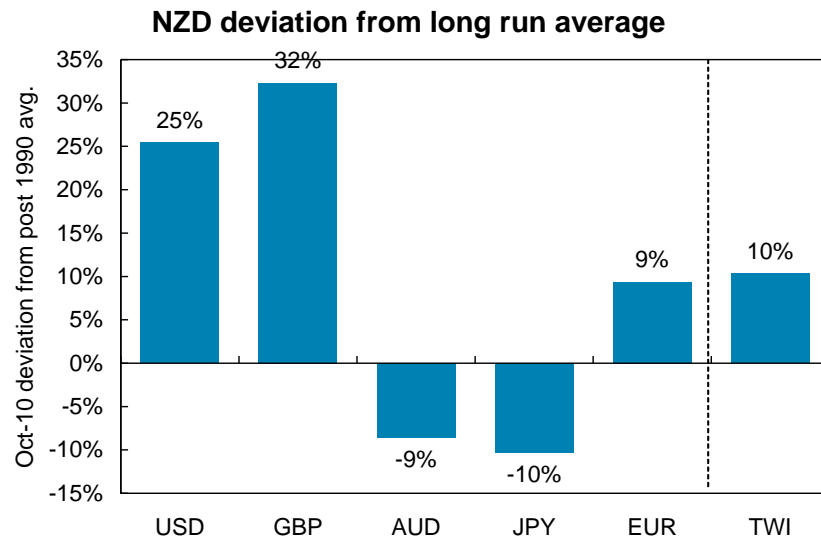


Source: RBNZ, Statistics NZ, NZIER

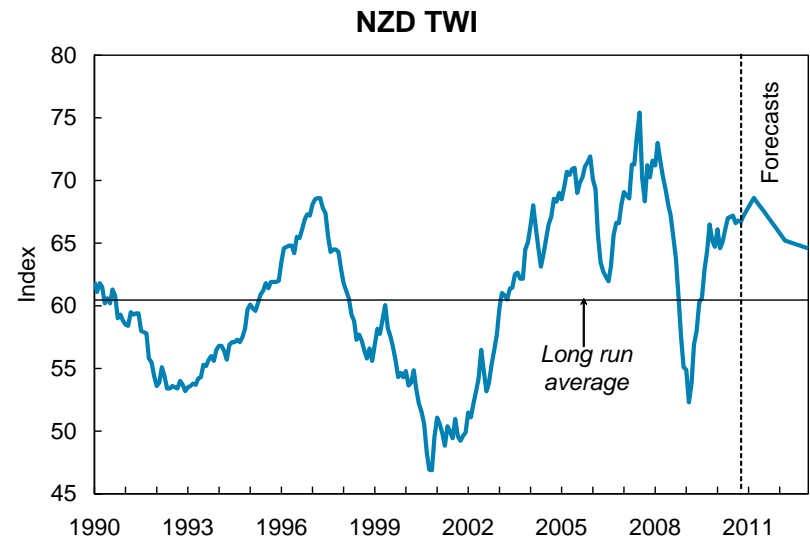


Source: RBNZ, DataStream, NZIER

# NZ economy and NZD may perform better than some majors over the coming year



Source: RBNZ, NZIER



Source: RBNZ, NZIER

# Consensus: A less robust recovery

## NZIER: A gradual and patchy recovery

Dec Years	2010		2011		2012	
	NZIER	Consensus	NZIER	Consensus	NZIER	Consensus
Real GDP <sup>1</sup>	<b>1.3</b>	1.7	<b>1.1</b>	2.9	<b>3.9</b>	2.9
Private consumption <sup>1</sup>	<b>2.0</b>	2.1	<b>2.9</b>	1.8	<b>4.5</b>	2.2
Fixed investment <sup>1</sup>	<b>1.0</b>	1.9	<b>1.2</b>	7.3	<b>8.4</b>	6.0
U-rate <sup>2</sup>	<b>6.8</b>	6.4	<b>6.4</b>	6.0	<b>5.6</b>	5.4
Inflation <sup>1</sup>	<b>2.3</b>	2.3	<b>3.4</b>	4.1	<b>1.9</b>	2.6
OCR <sup>2</sup>	<b>3.0</b>	3.0	<b>4.3</b>	4.0	<b>5.0</b>	4.9
NZD/USD <sup>2</sup>	<b>0.76</b>	0.77	<b>0.72</b>	0.70	<b>0.67</b>	0.67
MTP growth	<b>5.0</b>	...	<b>3.9</b>	...	<b>4.2</b>	...

1. Annual average

2. End of period

Sources: Consensus Economics, Focus Economics, NZIER