New Zealand Property Focus

In step

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CONTRIBUTORS

Sharon Zollner
Chief Economist
Telephone: +64 9 357 4094
E-mail: Sharon.Zollner@anz.com

Liz Kendall
Senior Economist
Telephone: +64 4 382 1995
E-mail: elizabeth.kendall@anz.com

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Summary

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

Feature Article: In step

In our August 2018 Property Focus we took a look at how property markets globally relate to the New Zealand market. We concluded that the New Zealand housing market was probably not being dragged down by global developments, but that it could be in the future, with global housing markets having become increasingly synchronised over time. This month, in that context, we take a look at recent developments in housing markets abroad. In summary, housing markets are certainly cooling in synch with each other, but outside of Australia there is no sign that the cooldowns are anything unusual.

Property gauges

The housing market is diverse by region but continues to experience volatility, partly as a result of the foreign buyer ban, and it will take some time to gauge where the broad trend is setting. The RBNZ eased loan-to-value ratio restrictions this month, which will provide a boost, though it is not expected to be large. And interest rates remain low, with recent small declines in mortgage rates expected to provide a lift. Population growth also remains supportive, but pent-up demand is not building as it once was. And importantly, headwinds are acting on the market, including bank prudence, investor wariness and affordability constraints – which are expected to see the market remain contained. A more challenging outlook for credit in light of proposed increases in capital requirements may also weigh.

Economic overview

Growth has continued to moderate, from above 4% y/y in mid-2016 to 2.6% over the year to September 2018. And after a number of years of expansion, the unemployment rate is sitting at a very low level of 3.9%, with domestic inflation starting to increase. However, forward-looking indicators point to further moderation in GDP growth and it appears that the peak in resource pressures is behind us. In the face of building headwinds, we see the economy growing 2-3% y/y in coming years, with a durable lift in inflation to the RBNZ's 2% target midpoint looking more challenging to achieve. Add to that slowing momentum in the global economy and building risks, and it points to a more cautious approach from the RBNZ in time. We expect that OCR cuts will eventually be required, with the first pencilled in for November this year.

Feature Article: In step

Summary

In our August 2018 Property Focus we took a look at how property markets globally relate to the New Zealand market. We concluded that the New Zealand housing market was probably not being dragged down by global developments, but that it could be in the future, with global housing markets having become increasingly synchronised over time. This month, in that context, we take a look at recent developments in housing markets abroad. In summary, housing markets are certainly cooling in synch with each other, but outside of Australia there is no sign that the cooldowns are anything unusual.

Housing markets are cooling globally

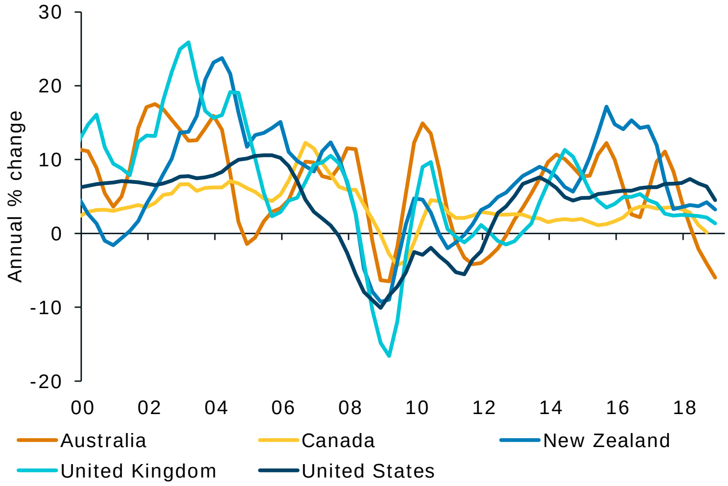
Globally, financial assets of all kinds are facing more challenging conditions. The Federal Reserve has raised the fed funds rate north of 2%, and the tide has turned on the long-running flood of global liquidity, with quantitative easing gradually giving way to quantitative tightening, as the Federal Reserve in particular allows assets to roll off its balance sheet. The global data-flow has turned decidedly mixed, particularly for manufacturing and trade, with geopolitical developments weighing. And equities have had a wild ride since October, reminding everyone that risk most certainly still exists.

Global housing markets have not been immune from the change in tone.

Developments in Australia have received the most attention – and deservedly so, as they are the most dramatic – but housing markets in a broader sense are coming under pressure. Our analysis in our August Property Focus[1] reached the conclusion that the slowing in the New Zealand market appeared to reflect primarily domestic factors, but that in the event of a global shock, there was a risk that the New Zealand housing market could be significantly affected, as global housing markets have become increasingly synchronised over time, particularly in downturns. So it’s timely to take a look over the neighbours’ fence.

Figure 1 shows that annual house price growth has turned negative in Australia, but has also taken a turn downwards in a bunch of countries we typically like to compare ourselves with. Let’s take a wander through each in turn.

Figure 1. Selected global house prices



Source: Haver, REINZ, RP, ANZ Research

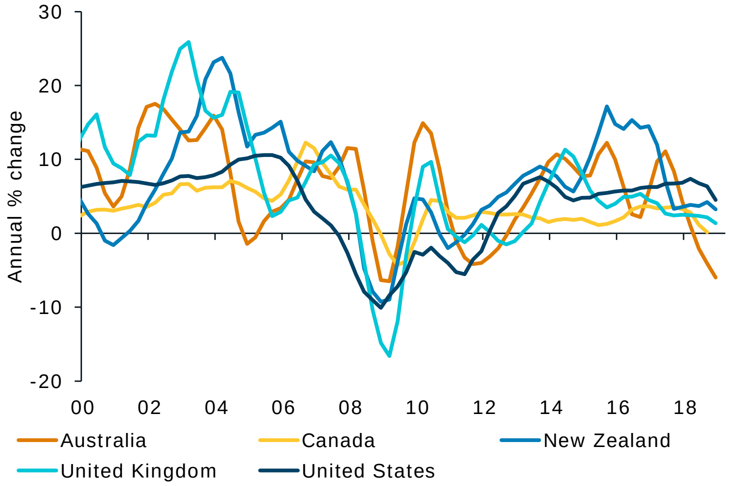
[1] See https://www.anz.co.nz/about-us/economic-markets-research/property-focus/

Australia

Australia is a good place to start – our nearest neighbour, with the housing market most correlated with New Zealand's.

Figure 2 shows that the housing market weakness is widespread, but most severe in Sydney, Melbourne and Perth, where prices are lower than they were a year ago.

Figure 2. House price inflation in Australia's major cities

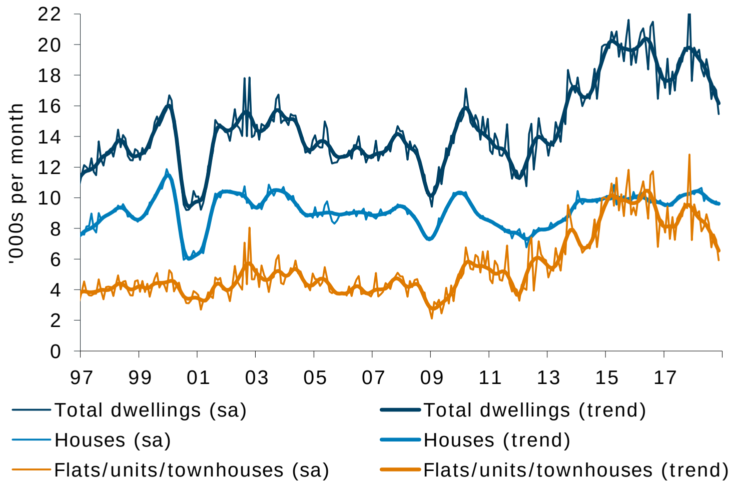


Source: Haver, CoreLogic, ANZ Research

Forward indicators for the Australian housing market such as the auction clearance rate suggest that weakness is likely to continue. ANZ expects peak-to-trough house price falls of 15-20% in Sydney and Melbourne, with prices to continue falling throughout 2019.

There are two main channels through which this housing weakness can feed into the broader economy: impacts on household consumption (given household debt loadings even greater than New Zealand), and the slower-burn impact on construction activity. Dwelling approvals are now dropping sharply, suggesting downside risks to the Reserve Bank of Australia's sanguine view of the economic outlook (figure 3).

Figure 3. Australia dwelling approvals



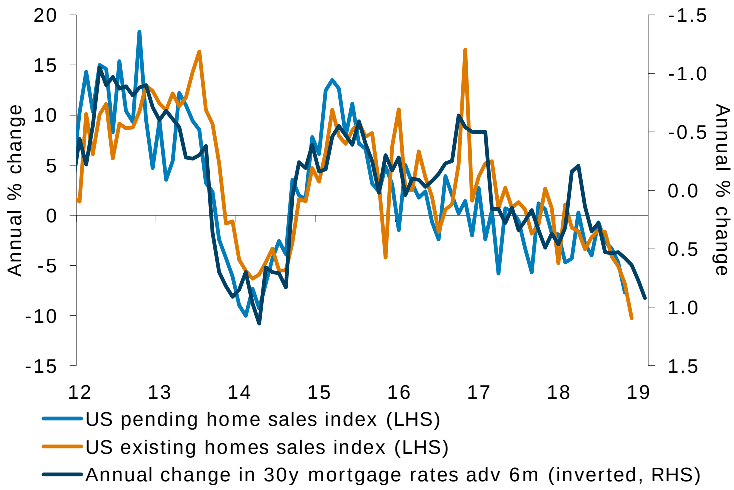
Source: ABS, ANZ Research

Australia's housing market is the most correlated with New Zealand's. In particular, Sydney and Auckland house prices have tended to move together. However, correlation is not causation. The correlation reflects that the drivers of the two markets – such as interest rates, foreign investor demand and broader economic cycles – have tended to move together. At the moment, the primary driver of the housing market weakness in Sydney and Melbourne is sharply reduced availability of mortgage credit, partly related to the Royal Banking Commission, and emerging oversupply in the apartment market. Neither of those two things are a feature of the Auckland or the broader New Zealand housing markets.

US

US mortgages tend to be taken out with a 30-year fixed term, with a right to refinance. This means that the housing market feels the pain of rising rates fairly slowly compared to Australia in particular, where more than three quarters of mortgages are on floating rates. Nonetheless, the impact of nine 25bp hikes over the past three years is making itself felt, with both pending home sales and existing home sales taking a dive of late.

Figure 4. US pending and existing home sales and the change in 30-year mortgage rates



Source: Bloomberg, National Assn of Realtors, ANZ

Builders' confidence according to the closely watched NAHB index has taken a big hit recently, but how much this will bounce back now equity market volatility has settled down remains to be seen. Mortgage applications data, which have jumped in January, suggest a bounce-back may be on the cards.

Figure 5. US NAHB survey and housing starts

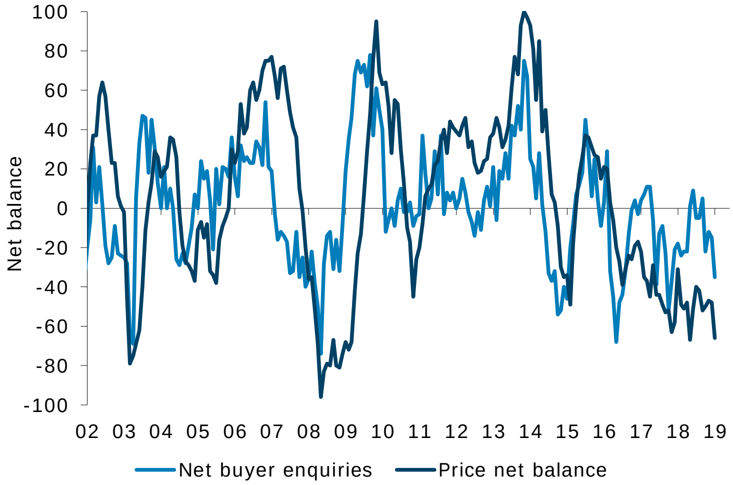
Source: Bloomberg, National Assn of Realtors, ANZ

In short, while the US housing market does appear to be slowing, and quite sharply by some indicators, there is nothing to suggest it is anything other than a typical cycle – there has been no re-run of sub-prime lending-led bubbles in this sector (unlike auto lending) – and household debt is considerably lower than Australasia after a mammoth deleveraging following the Global Financial Crisis.

UK

The UK housing market is – like the rest of the economy – coming under a degree of pressure from the uncertainty surround Brexit. The London housing market in particular tends to be impacted by global money flows. This is not new: both net buyer enquiries and the perceived pricing power of sellers have been languishing in recent years (figure 6).

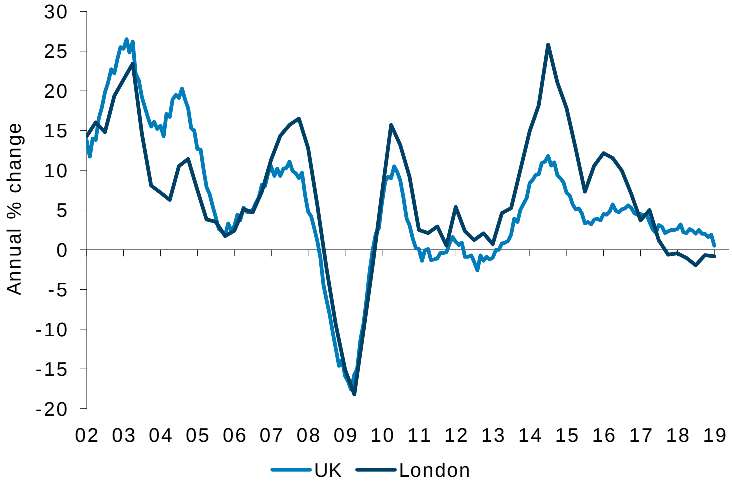
Figure 6. London housing market: net buyer enquiries and price net balance



Source: Royal Institute of Chartered Surveyors

Figure 7 shows that London has been underperforming the broader UK market in the recent couple of years after previously significantly outperforming – it's very reminiscent of Auckland/NZ dynamics in recent years. However, it was the broader UK market that took a bigger hit in December.

Figure 7: London and UK house price inflation

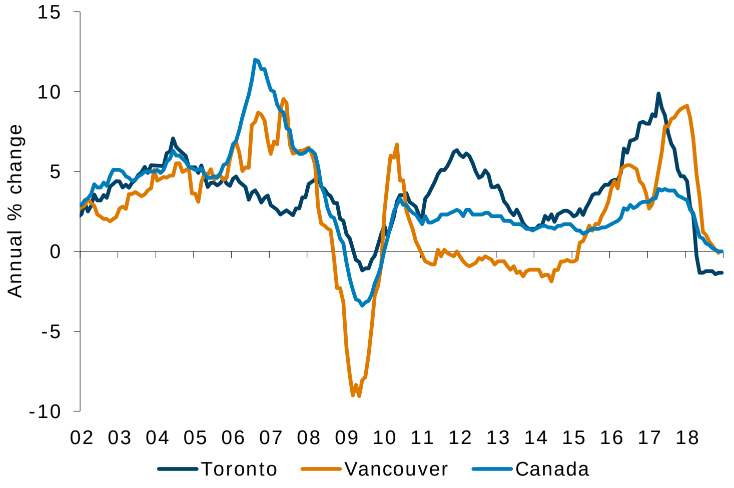


Source: Nationwide, Bloomberg

Canada

Toronto has had a similar cycle to Auckland – hugely outperforming and then underperforming the national average. However, its peak inflation of under 10% in 2017 is only a third of the peak Auckland managed. House price inflation nationwide has now slowed to flat.

Figure 8: Toronto, Vancouver and Canada house price inflation

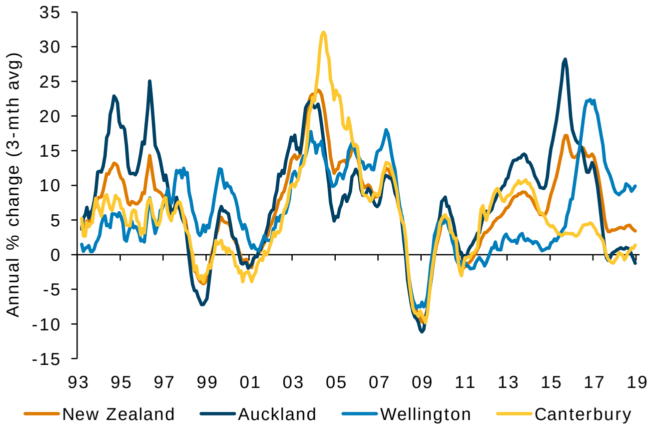


Source: Nationwide

Summary

Global house prices are certainly looking synchronised in the downswing. However, outside of Australia there is so far no sign of anything unusual about the slowdowns. We'll certainly be watching markets with interest but each market is experiencing its own idiosyncrasies with little sign so far that contagion is an issue.

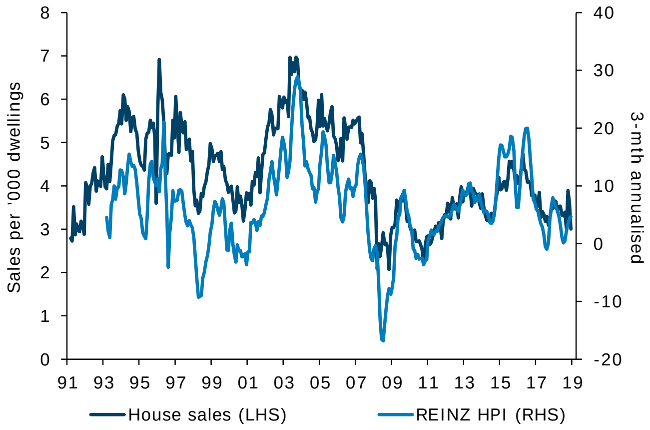
Figure 1. Regional house price inflation



Source: ANZ, REINZ

Price pressures ticked up a little in the last few months of 2018, after a soft patch through the middle of the year. The REINZ house price index increased 0.6% in November, to be up 1.2% over the past three months. Overall, price pressures remain contained. Annual house price inflation was 3.4% y/y (3mma) in December, down from 4.2% three months earlier. We expect that underlying price pressures will continue to moderate gradually, though the path may not be smooth. Regional divergence remains stark. In Auckland, prices are 0.7% lower than a year ago. But outside of Auckland, prices have risen 7.8% over the past year. Regionally, Hawke's Bay, Manawatu-Whanganui, Otago and Southland continue to outperform, with prices up more than 10% over the year.

Figure 2. REINZ house prices and sales

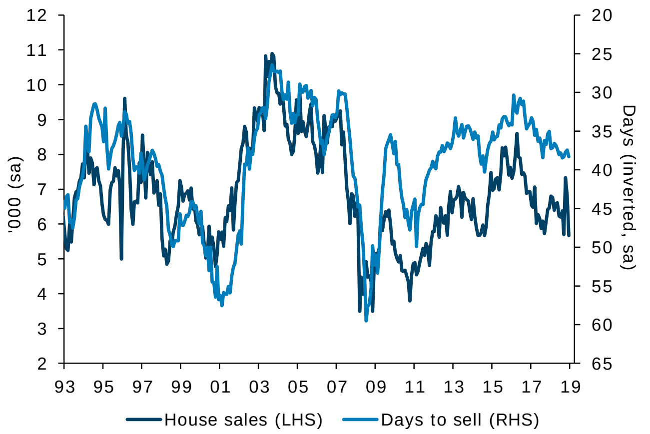


Source: ANZ, REINZ

Sales volumes and prices tend to be closely correlated, although at times tight dwelling supply can complicate the relationship.

House sales fell a sharp 17% m/m in December (sa, ANZ estimate), on top of a 7% fall in November. Sales in October surged, however. The data is consistent with a pre-ban jump in sales to foreigners. More noise is likely, with loan-to-value restrictions eased this month, and it will take a while to get a gauge of where sales are settling. The underlying trend appears decent: house sales have increased 8.5% over the past three months, recovering from the soft patch seen through the middle of the year.

Figure 3. Sales and median days to sell

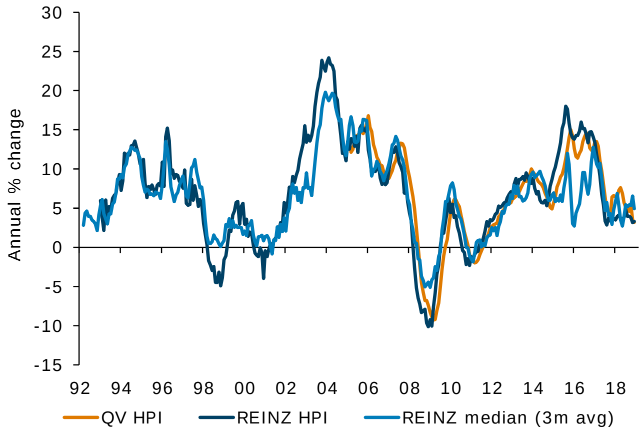


Source: ANZ, REINZ

How long it takes to sell a house is also an indicator of the strength of the market, encompassing both demand and supply-side considerations. Larger cities tend to see houses sell more quickly, but deviations in a region from its average provide an indicator of the heat in a market at any given time.

Based on days to sell a house, the housing market remains tight nationwide. Median time to sell a house ticked up from 37 to 38 days in December (sa). But considerable regional divergence persists. It is taking longer than usual to sell a house in Auckland and Canterbury, but in other regions, housing markets remain tight – with houses selling faster than the historical average.

Figure 4. REINZ and QV house prices

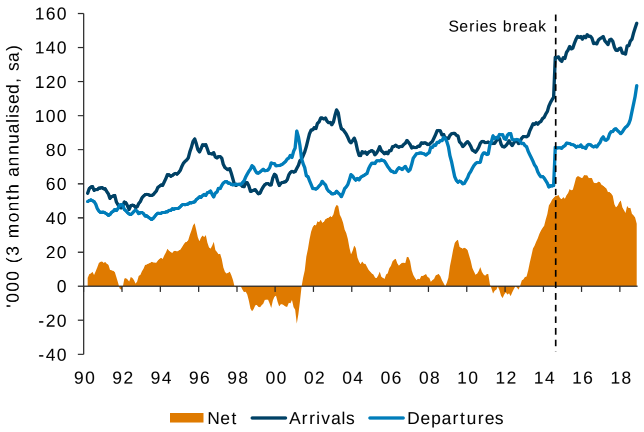


Source: ANZ, REINZ, QVNZ

There are three monthly measures of house prices in New Zealand: the median and house price index measures produced by REINZ, and the monthly QVNZ house price index. The latter tends to lag the other measures as it records sales later in the transaction process. Moreover, movements do not line up exactly, given differing methodologies (the REINZ house price index and QVNZ measures attempt to adjust for the quality of houses sold).

The REINZ HPI – our preferred measure – is sitting at 3.4% y/y (3mma). The QVNZ measure is similar at 3.2% y/y. The REINZ median, on the other hand, was up 5.4% y/y (3mma). Since the median does not control for composition, this may reflect a tick up in the proportion of high-value sales.

Figure 5. Net migration



Source: Statistics NZ

Migration flows[2] to and from New Zealand are one of the major drivers of housing market cycles. The early-1970s, mid-1990s, mid-2000s and most recent house price booms have coincided with large net migration inflows.

Permanent and long-term net migration fell in November, down 1,020 persons to 2,480 (sa). This was mainly due to higher departures, which rose by 1,290 persons, by far its largest hike under the new methodology. The migration cycle has been gradually easing since a peak in early 2016. We expect this to continue, with departures lifting and previous arrivals on temporary visas continuing to cycle out.

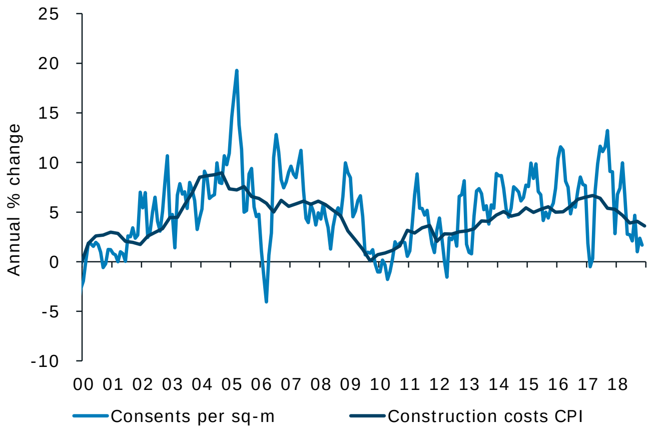
Figure 6. Residential building consents

Source: ANZ, Statistics NZ

Residential building consents are starting to flatten off at high levels. Residential building consents fell 2.0% m/m in November, giving up their October gain. Consents have been choppy of late but annual consent issuance remains very elevated at a little over 32,600 new dwelling consents. However, capacity constraints are acute, and issuance has struggled to push higher, remaining shy of highs reached in the mid-2000s. That said, Auckland consents continue to trend higher. Annual issuance is very high in the region, at 12,800 consents in November.

[2] Note all references to permanent long term migration throughout this report refer to the new methodology Statistics NZ have implemented from November 2018 onwards to identify long term migration. The new data is only available from June 2014 which we have indicated with a series break. For more on this, see International migration uses new official measure.

Figure 7. Construction cost inflation

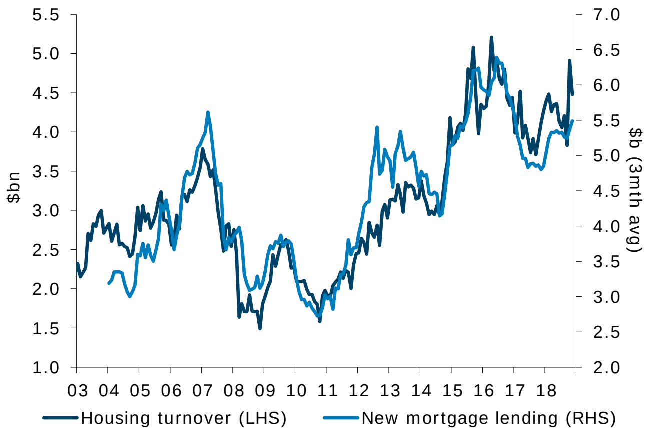


Source: ANZ, Statistics NZ

Construction cost inflation has softened. The CPI inflation measure of construction costs eased to 3.6% y/y in the December quarter. This continues the gradual easing since coming off its recent peak of 6.7% in March 2017. Growth in the cost of consented work per square metre – a proxy for construction cost inflation – also ticked down, now at 1.7% y/y (3mma) in November.

It remains to be seen whether this moderation is sustained, but it is consistent with anecdotes that suggest momentum in building cost inflation is waning. Capacity pressures remain acute, which should continue to support price rises. But firm pessimism may result in increased caution when passing through cost increases, as the sector grapples with challenges.

Figure 8. New mortgage lending and housing turnover

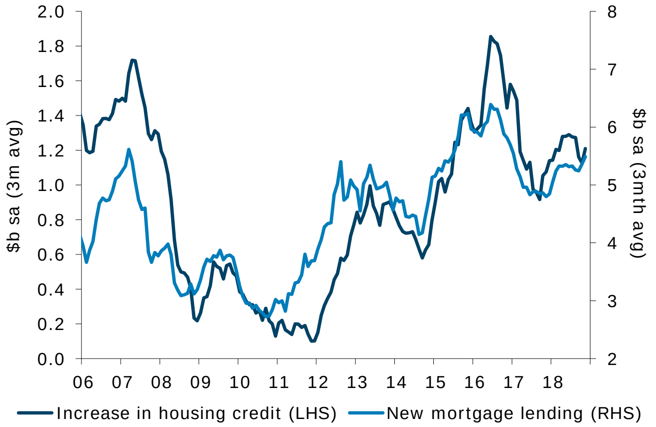


Source: ANZ, RBNZ

New residential mortgage lending figures are published by the RBNZ. These are gross (rather than net) flows and can provide leading information on household credit growth and housing market activity.

New mortgage lending has been volatile of late, consistent with the recent noise in house sales. New lending fell 1.6% in November after its October surge (sa). Going forward, we expect to see new lending moderate in light of the sharp pull back in sales in December, and the path of new lending will depend on where the trend in sales settles.

Figure 9. New mortgage lending and housing credit

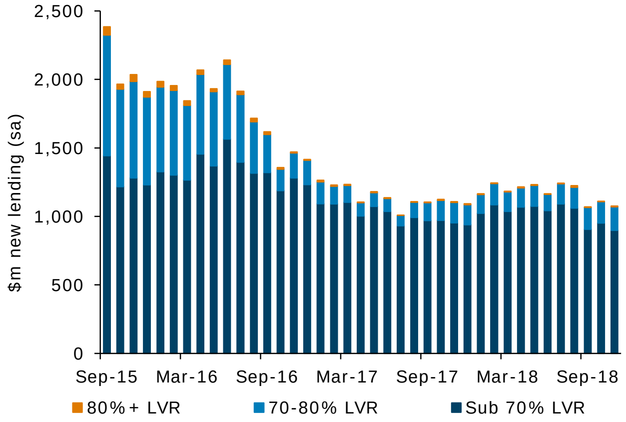


Source: ANZ, REINZ, RBNZ

Household credit has been growing at a pretty consistent monthly pace since early 2017. In monthly terms, household lending increased 0.6% m/m in November. In annual terms, household credit growth is running at 5.3% y/y (3mma).

Housing credit growth has been relatively stable in recent months. There could be a temporary tick up as a result of the easing in loan-to-value ratio restrictions this month. But banks are behaving prudently, investors are wary, and loan-to-value ratio restrictions are expected to still have a dampening influence, even when they are eased. Proposed tightening in banks' capital requirements would also create headwinds for credit, over time. On the whole, we expect credit growth will continue to grow modestly.

Figure 10. Investor lending by LVR

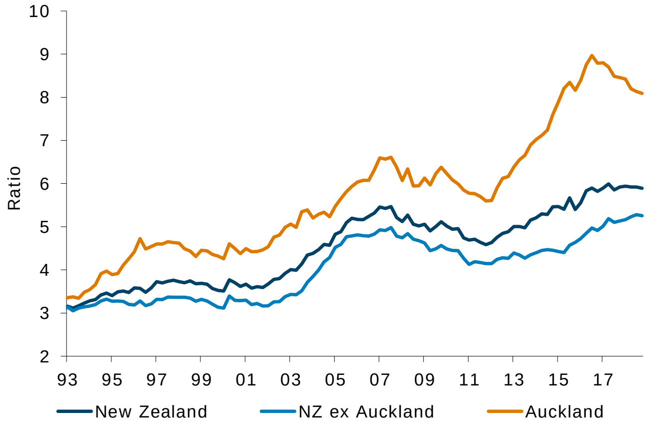


Source: ANZ, RBNZ

On a seasonally adjusted basis, new lending to investors eased 2.8% in November, after falling 8% in September. Lending to investors has eased a touch recently, though only modestly. Just 17.5% of new loans were to investors in November, down from 24% in the middle of the year. With the RBNZ easing loan-to-value ratio restrictions this month, we expect to see a pick-up in investor lending into the new year, but we do not expect the impact to be large overall.

The share of investor lending on less-risky terms continues to reflect the impact of the LVR restrictions. In November, the share of total investor lending at loan-to-value ratios of less than 70% was 84% (seasonally adjusted). In late-2014 it was less than half.

Figure 11. Regional house prices to income

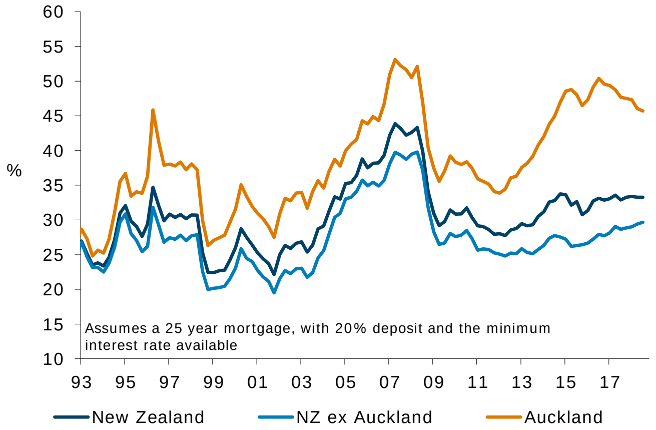


Source: ANZ, REINZ, Statistics NZ

One commonly cited measure of housing affordability is the ratio of average house prices to incomes. It is a standard measure used internationally to compare housing affordability across countries. It isn't perfect; it does not take into account things like average housing size and quality, interest rates, and financial liberalisation. Therefore, it is really only a partial gauge as some of these factors mean that it is logical for this ratio to have risen over time.

Nationally, the ratio has been stable at around 6 times income since early 2017. Auckland has seen its ratio ease from 9 times in Q3 last year to an estimated 8.1 times in Q4 2018. While still extremely high, the easing reflects the recent moderation in house price growth. Outside of Auckland, the ratio has continued to rise; at 5.3 times incomes this is at record highs.

Figure 12. Regional mortgage payments to income



Source: ANZ, REINZ, RBNZ, Statistics NZ

Another, arguably more comprehensive, measure of housing affordability is to look at it through the lens of debt serviceability, as this also takes into account interest rates, which are an important driver of housing market cycles.

We estimate that for a purchaser of a median-priced home (20% deposit), the average mortgage payment to income nationally is around 33%. However, there are stark regional differences. In Auckland it is 46% and the rest of New Zealand it is 30%. While (just) off its highs, this is still on par with the highs reached in 2007, despite mortgage rates being near historic lows currently. It highlights how sensitive some recent home-buyers in Auckland would be to even a small lift in interest rates.

Property gauges

The housing market is diverse by region but continues to experience volatility, partly as a result of the foreign buyer ban, and it will take some time to gauge where the broad trend is setting. The RBNZ eased loan-to-value ratio restrictions this month, which will provide a boost, though it is not expected to be large. And interest rates remain low, with recent small declines in mortgage rates expected to provide a lift. Population growth also remains supportive, but pent-up demand is not building as it once was. And importantly, headwinds are acting on the market, including bank prudence, investor wariness and affordability constraints – which are expected to see the market remain contained. A more challenging outlook for credit in light of proposed increases in capital requirements may also weigh.

We use ten gauges to assess the state of the property market and look for signs that changes are in the wind.

Affordability. For new entrants into the housing market, we measure affordability using the ratio of house prices to income (adjusted for interest rates) and mortgage payments as a proportion of income.

Serviceability / indebtedness. For existing homeowners, serviceability relates interest payments to income, while indebtedness is measured as the level of debt relative to income.

Interest rates. Interest rates affect both the affordability of new houses and the serviceability of debt.

Migration. A key source of demand for housing.

Supply-demand balance. We use dwelling consents issuance to proxy growth in supply. Demand is derived via the natural growth rate in the population, net migration, and the average household size.

Consents and house sales. These are key gauges of activity in the property market.

Liquidity. We look at growth in private sector credit relative to GDP to assess the availability of credit in supporting the property market.

Globalisation. We look at relative property price movements between New Zealand, the US, the UK, and Australia, in recognition of the important role that global factors play in New Zealand's property cycle.

Housing supply. We look at the supply of housing listed on the market, recorded as the number of months needed to clear the housing stock. A high figure indicates that buyers have the upper hand.

House prices to rents. We look at median prices to rents as an indicator of relative affordability.

Policy changes. Government and macro-prudential policy can affect the property market landscape.

Indicator	Level	Direction for prices	Comment
Affordability	Unaffordable	↔/↓	Affordability constraints are very relevant. It is the main reason we see the Auckland market continuing to underperform.
Serviceability/ indebtedness	High debt, low rates OK – high rates not	↔/↓	Serviceability looks okay provided interest rates stay low and income growth is solid. Debt levels are high.
Interest rates / RBNZ	Eventual cut	↔/↑	We see the OCR falling by year-end, but partly to offset upward pressure on rates. Short-term mortgage rates have fallen.
Migration	Peaked	↔/↑	Migration is easing gradually, but remains elevated. We expect further softening.
Supply-demand balance	Demand > Supply	↔/↑	MBIE estimates New Zealand is short 71k houses, but the build-up of pent up demand is becoming less pronounced.
Consents and house sales	Shortage	↔/↑	We expect consents issuance will struggle to push higher, with the construction sector reaching its limits.
Liquidity	Set to tighten	↔/↓	Credit availability is very relevant. Banks have plenty of cash currently, but know they have to raise a lot more capital.
Globalisation	Weak	↔/↓	The foreign-buyer ban has stymied demand from non-residents, and the housing market is weak in Australia.
Housing supply	Too few	↔/↑	The Government is going to take a more active role, but there are still questions about crowding out other work and labour shortages.
House prices to rents	Too high	↔/↓	Rents are moving up, with pressures on the existing stock apparent. Buying remains relatively expensive.
Policy changes	Dampening	↔/↓	Government policy changes are making investors wary, but easing in loan-to-value restrictions could provide a partial offset.
On balance	**In recent ranges**	↔/↓	**We expect the market to remain contained, though volatility may continue in the short term.**

Property gauges

Figure 1: Housing affordability

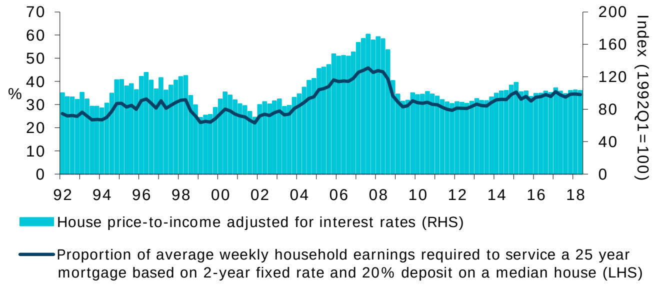


Figure 2: Household debt to disposable income

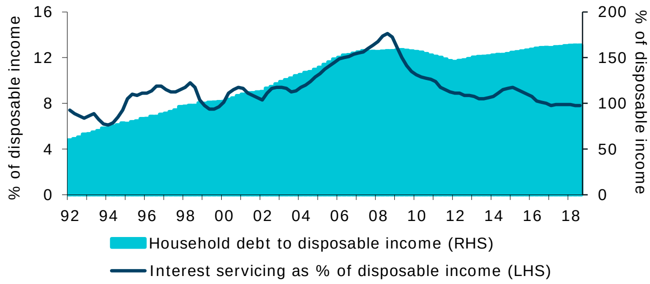


Figure 3: New customer average residential mortgage rate (<80% LVR)

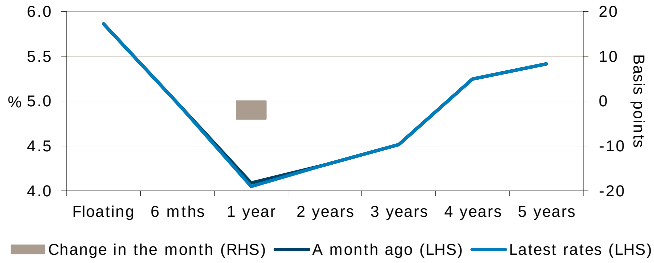


Figure 4: Net immigration

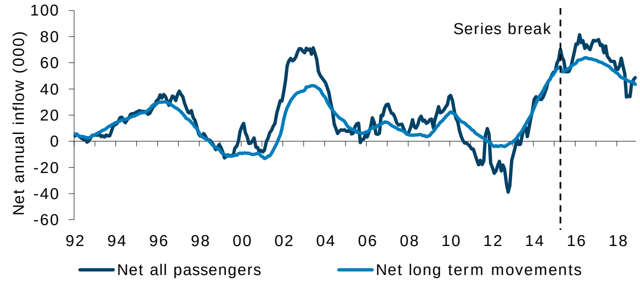


Figure 5: Housing supply-demand balance

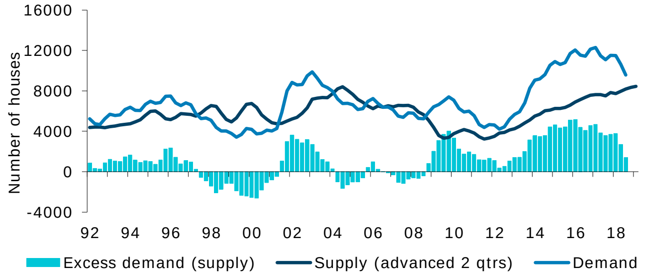


Figure 6: Building consents and house sales

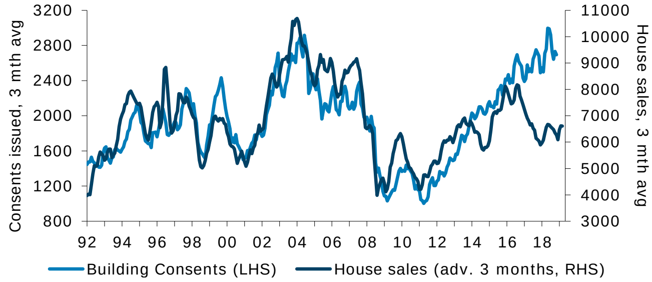


Figure 7: Liquidity and house prices

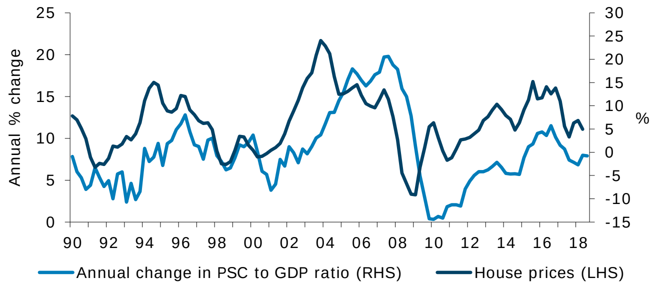


Figure 8: House price inflation comparison

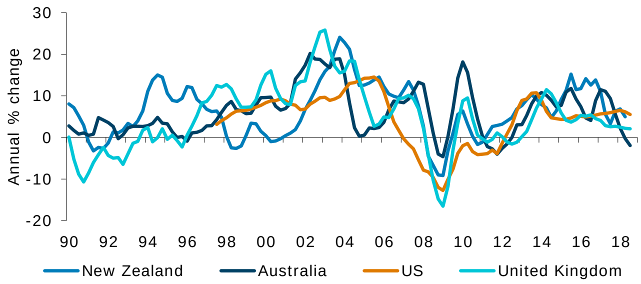


Figure 9: Housing supply

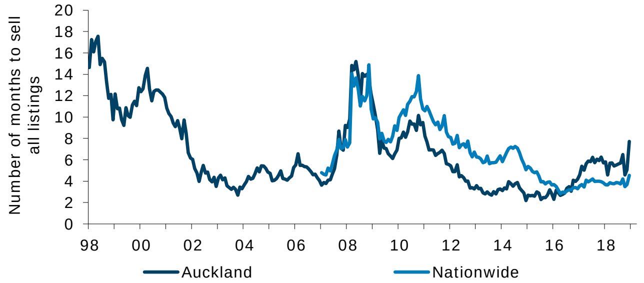
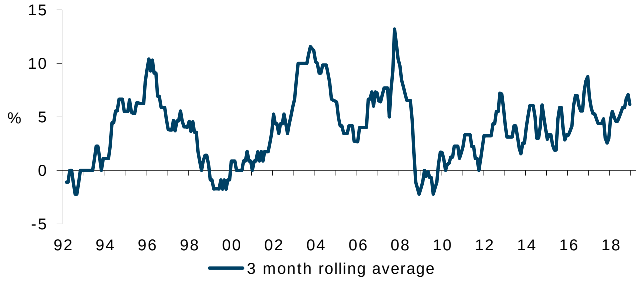


Figure 10: Median rental, annual growth



Source: ANZ, Statistics NZ, REINZ, RBNZ, QVNZ, Nationwide, Bloomberg, Barfoot & Thompson, MBIE

Economic overview

Summary

Growth has continued to moderate, from above 4% y/y in mid-2016 to 2.6% over the year to September 2018. And after a number of years of expansion, the unemployment rate is sitting at a very low level of 3.9%, with domestic inflation starting to increase. However, forward-looking indicators point to further moderation in GDP growth and it appears that the peak in resource pressures is behind us. In the face of building headwinds, we see the economy growing 2-3% y/y in coming years, with a durable lift in inflation to the RBNZ's 2% target midpoint looking more challenging to achieve. Add to that slowing momentum in the global economy and building risks, and it points to a more cautious approach from the RBNZ in time. We expect that OCR cuts will eventually be required, with the first pencilled in for November this year.

Our view

The economy has been growing at a reasonable clip for a number of years now, leading to a gradual build up in capacity pressures. Consistent with this, the unemployment rate has hit fresh lows of 3.9% and domestic inflation has started to increase. In fact, those pressures look to have built up a little more than previously estimated; GDP was a bit stronger than previously thought over the year to 2018, implying a slightly higher output gap over this time.

But it's not all good news. GDP growth has been moderating. From the heady rates of growth in 2016 (~4%), it has softened to 2.6% in September 2018 – below where we (and the RBNZ) see potential. And looking forward, indicators like experienced activity in the QSBO (which usually maps well to GDP) point to further moderation in GDP growth. Resource pressures have started easing recently, with the peak now behind us. And with GDP growing below potential, resource pressures look set to ease further– even if the economy can muddle along at current growth rates.

We see GDP growing 2-3% y/y in coming years – a respectable pace, but limited by a number of headwinds that are weighing. Fiscal stimulus is expected to provide a boost, though this is expected to be small and short lived, and households remain in good cheer and willing to spend, with interest rates still low. But the impetus to growth from migration and construction is waning, the housing market has cooled, and the global environment is looking a bit less favourable, while credit conditions look set to tighten (due to probable increases in bank capital requirements). Growth is looking harder to achieve as the cycle gets long in the tooth and drivers peter out.

Reflecting previous strength in the economy, the suite of core inflation measures are sitting close to the RBNZ's 2% target midpoint and non-tradable inflation has crept upwards recently. However, it has been a slow grind higher despite robust GDP growth in recent years. We expect that domestic inflation will nudge a little higher in coming quarters on account of the previous build-up in capacity pressures and their usual lagged effects on inflation, but inflationary pressure is expected to subside as resource pressures continue to fade.

Overall, we see CPI inflation ticking up to 2% y/y mid-year before moderating over the medium term. In our view, a durable lift in inflation to the midpoint of the RBNZ's 2% target is looking increasingly challenging to achieve, without a meaningful acceleration in GDP growth from here. We expect that OCR cuts will eventually be required to give inflation the nudge that it needs. We have the first cut pencilled in for November this year, with two follow up cuts expected over 2020.

We see risks on both sides of the ledger. Changes in the global environment have the potential to alter the landscape very quickly. And while we expect that the global economy will continue to moderate gradually, risks of a more pronounced slowing have increased. The Chinese economy, in particular, is experiencing a loss of momentum that could weigh on our commodity prices. In our view, ructions in financial markets or a pronounced softening in global data could see the OCR cut sooner than we currently anticipate.

On the other hand, it is possible that the RBNZ could have more breathing room than we expect, delaying or reducing the need for stimulus if the recent tick up in domestic inflation has more inertia than currently expected. Firms are experiencing margin pressure, but capacity pressures and rising labour costs could be the catalyst needed for firms to start clawing back profits through higher prices. In our view, this is unlikely given apparent caution on the part of firms without a meaningful acceleration in demand.

Key forecasts

Weekly mortgage repayments table (based on 25-year term)

Mortgage Size ($'000)	Mortgage Rate (%)													
	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25
200	243	250	256	263	270	276	283	290	297	304	311	319	326	333
250	304	312	320	329	337	345	354	363	371	380	389	398	407	417
300	365	375	385	394	404	415	425	435	446	456	467	478	489	500
350	426	437	449	460	472	484	496	508	520	532	545	558	570	583
400	487	500	513	526	539	553	566	580	594	608	623	637	652	667
450	548	562	577	592	607	622	637	653	669	684	701	717	733	750
500	609	625	641	657	674	691	708	725	743	761	778	797	815	833
550	669	687	705	723	741	760	779	798	817	837	856	876	896	917
600	730	750	769	789	809	829	850	870	891	913	934	956	978	1,000
650	791	812	833	854	876	898	920	943	966	989	1,012	1,036	1,059	1,083
700	852	874	897	920	944	967	991	1,015	1,040	1,065	1,090	1,115	1,141	1,167
750	913	937	961	986	1,011	1,036	1,062	1,088	1,114	1,141	1,168	1,195	1,222	1,250
800	974	999	1,025	1,052	1,078	1,105	1,133	1,160	1,188	1,217	1,246	1,274	1,304	1,333
850	1,035	1,062	1,089	1,117	1,146	1,174	1,204	1,233	1,263	1,293	1,323	1,354	1,385	1,417
900	1,095	1,124	1,154	1,183	1,213	1,244	1,274	1,306	1,337	1,369	1,401	1,434	1,467	1,500
950	1,156	1,187	1,218	1,249	1,281	1,313	1,345	1,378	1,411	1,445	1,479	1,513	1,548	1,583
1000	1,217	1,249	1,282	1,315	1,348	1,382	1,416	1,451	1,486	1,521	1,557	1,593	1,630	1,667

Housing market indicators for December 2018 (based on REINZ data)

	House prices (ann % chg)	3mth % chg	No of sales (sa)	Mthly % chg	Avg days to sell (sa)
Northland	9.3	0.9	187	-13%	53
Auckland	0.3	0.5	1,488	-24%	41
Waikato	1.2	-1.2	636	-10%	40
Bay of Plenty	1.8	2.8	426	-11%	42
Gisborne	15.1	-1.2	63	-23%	38
Hawke's Bay	9.6	3.8	227	-8%	34
Manawatu-Whanganui	12.2	4.2	372	-3%	30
Taranaki	8.5	5.4	139	-31%	37
Wellington	8.0	1.1	599	-20%	33
Tasman, Nelson and Marlborough	16.8	-1.0	221	-21%	34
Canterbury	4.5	2.3	760	-16%	40
Otago	7.6	8.4	341	-10%	34
West Coast	18.7	-5.2	43	-3%	56
Southland	1.1	-1.7	143	-10%	26
New Zealand	**1.6**	**1.7**	**5,668**	**-17%**	**38**

Key forecasts

	Actual			Forecasts						
Economic indicators	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
GDP (Ann % Chg)	3.0	3.2	2.6	2.5	2.5	2.2	2.4	2.5	2.5	2.5
CPI Inflation (Annual % Chg)	1.1	1.5	1.9	1.9(a)	1.8	2.0	1.7	1.8	1.9	1.8
Unemployment Rate (%)	4.4	4.4	3.9	4.1	4.0	4.0	3.9	3.9	3.9	3.8
House Prices (Annual % Chg)	3.9	3.7	4.2	3.4(a)	2.7	3.1	3.3	2.6	2.4	2.2
Interest rates (RBNZ)	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.50	1.00	1.00
90-Day Bank Bill Rate	2.0	2.0	1.9	2.0	2.0	2.0	1.9	1.7	1.2	1.2
Floating Mortgage Rate	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.5	5.0	5.0
1-Yr Fixed Mortgage Rate	4.9	4.9	4.8	4.7	4.7	4.8	4.8	4.6	4.4	4.4
2-Yr Fixed Mortgage Rate	4.9	4.9	4.8	4.6	4.7	4.8	4.8	4.7	4.6	4.7
5-Yr Fixed Mortgage Rate	5.7	5.7	5.4	5.1	5.4	5.5	5.5	5.5	5.5	5.6

Source: ANZ, Statistics NZ, RBNZ, REINZ

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Ph 64 9 357 4094, e-mail nzeconomics@anz.com, http://www.anz.co.nz