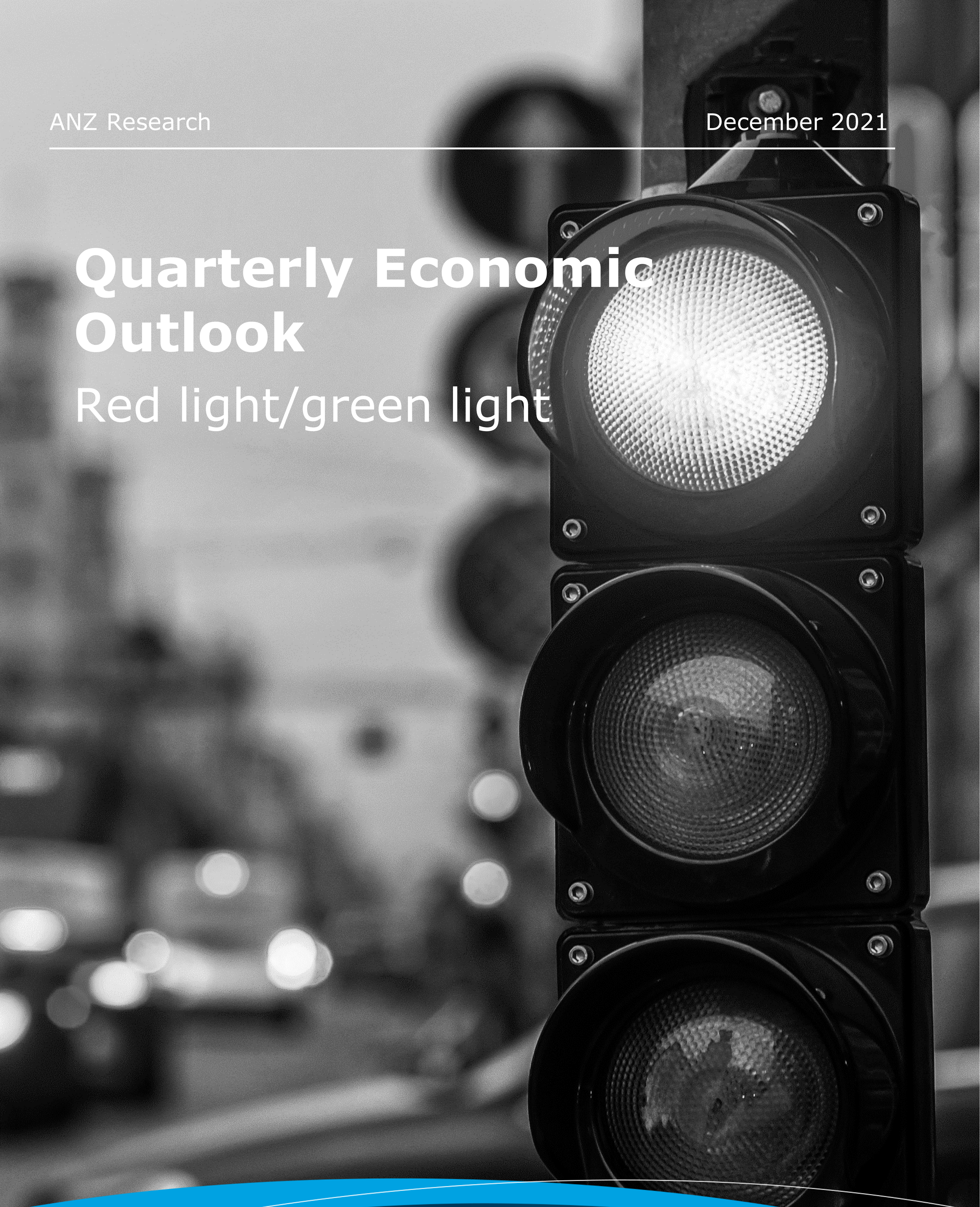
Quarterly Economic Outlook

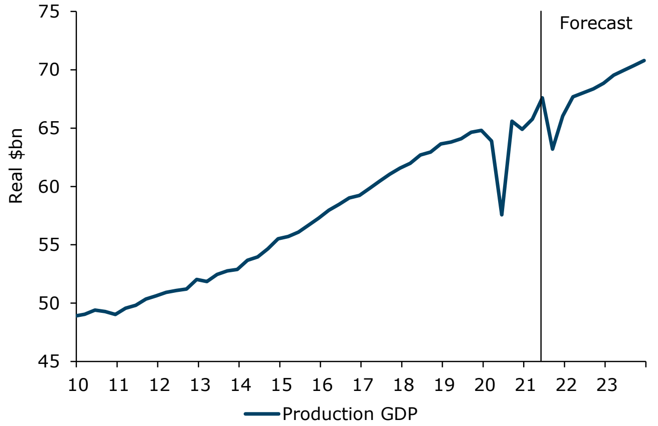
Red light/green light



At a glance

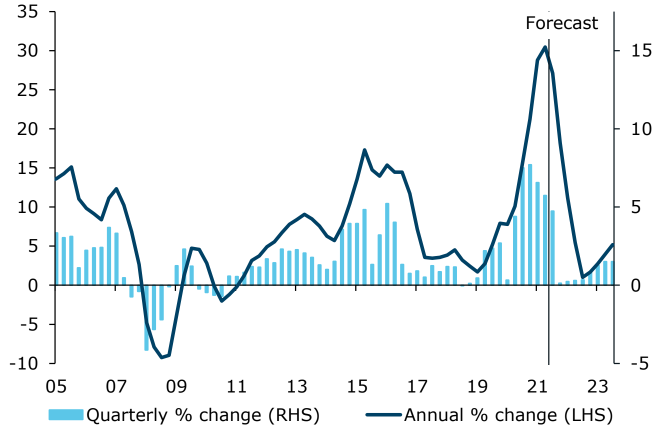
GDP volatility is back

All eyes are on the rebound



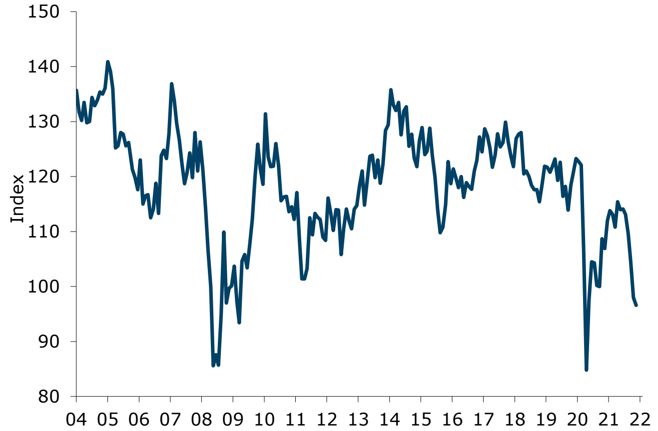
House price inflation to fall

And it could be sharper than we expect



Households are wary

Consumer confidence has slipped

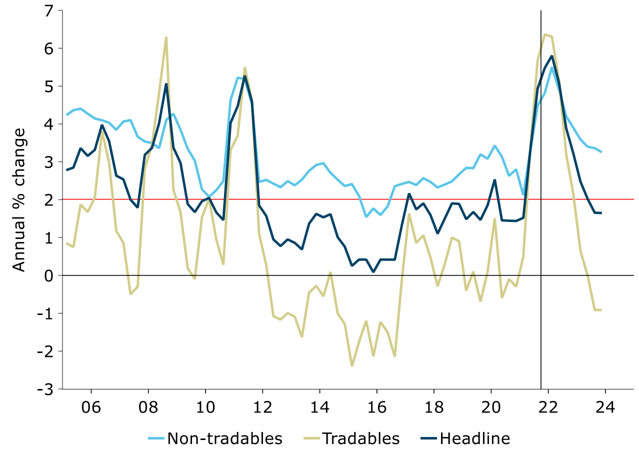


The very tight labour market

Should be a key driver of demand

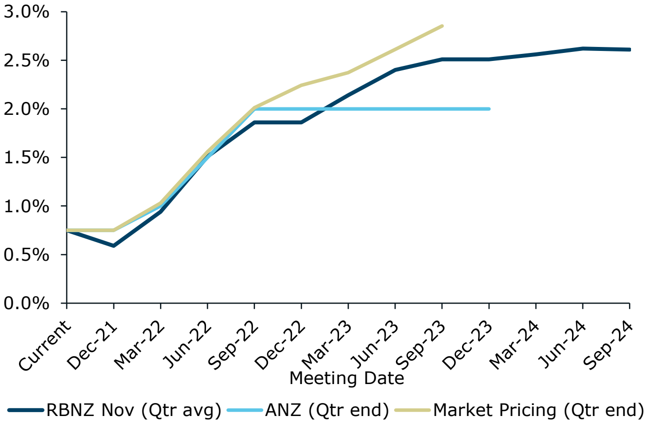
Inflation target exceeded

But should come back to earth



More OCR hikes to come

Risks on both sides



Source: Stats NZ, REINZ, RBNZ, Bloomberg, ICAP, Roy Morgan, ANZ Research

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Red light/green light

Summary

As 2021 draws to an end we consider the forces that will hopefully guide the NZ economy towards a sustainable growth path through 2022 and beyond. All going well, 2022 will bring the next big stage of the Great Normalisation: living with COVID-19 and gradually reopening our borders. All our fingers and toes are crossed for a smooth transition, but there are many lingering economic distortions out there that could well bring a surprise or two as we travel the lengthy path towards normalisation. Right now, the economy is simply too stretched, and stimulus clearly needs to be dialled back. But the past 18 months show economic conditions can change extremely quickly. A cautious approach is warranted.

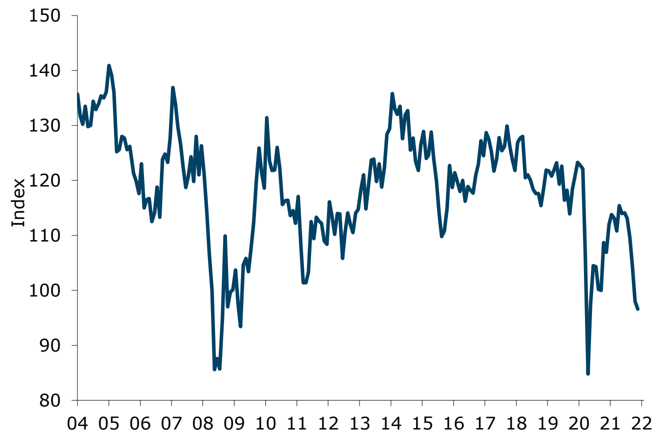
A strong starting point

Economic momentum heading into the Delta outbreak was nothing short of remarkable. That was particularly true for the labour market, where the unemployment rate hit a record low of just 3.4% in Q3, despite labour force participation hitting a record high! From a household sector perspective, this is great news – the balance of power has shifted in favour of workers, who in many cases can negotiate higher wages or jump ship for higher wages due to their scarcity.

However, there's a glass-half-empty lens here too: the lift in living costs, as measured by CPI inflation, has significantly outpaced wage growth, meaning many households are going backwards in real terms. In fact, this may be part of the reason why labour force participation has lifted, as the higher cost of housing, food, utilities, transport and pretty much everything in between push people into work.

All up, solid nominal wage growth (albeit negative real wage growth) combined with solid employment growth means the aggregate income story for the household sector is still on balance a positive one. But at the individual level it doesn't appear to feel like that's case (figure 1).

Figure 1. Figure 1. Consumer confidence

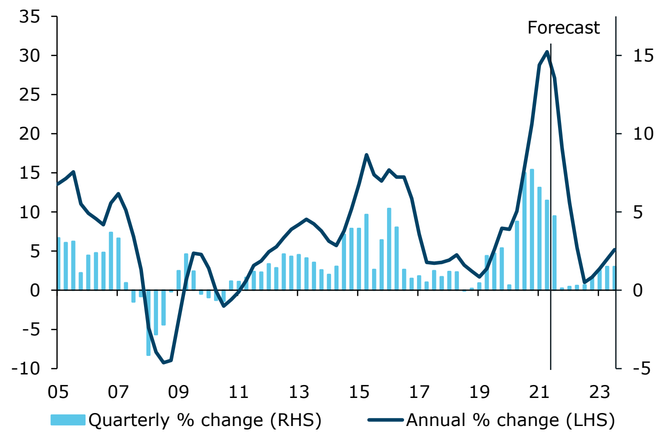


Source: ANZ Research, Roy Morgan

Looking back over 2021, it's clear that macro-economic stimulus has done what it can to limit the economic fallout from lockdowns. Here's a quick stocktake of the current state of play before we dive into how things might evolve from here:

- **Households:** As discussed, the household sector is in good stead in aggregate income terms, and while it has higher debt, the house price boom has also turbo-charged its balance sheet. But it doesn't seem to be feeling great, and the outlook is a bit iffier, to be fair. The housing market is on borrowed time (figure 2). Strong housing momentum has been a key driver of domestic demand, but we think that's about to change. From here, the best case scenario is a soft landing for housing that doesn't disrupt broader economic momentum. That's our forecast, but it could in practice be difficult to engineer from this starting point.

Figure 2. House prices



Source: REINZ, ANZ Research

Red light/green light

- **Firms:** The business sector is a mixed bag, both regionally and by industry. Construction is going gangbusters, but the materialisation of housing risks could easily spill over to the residential construction industry and beyond. Retail trade has experienced phenomenal growth (looking through lockdown noise), but household sentiment and our forecast of a cooling housing market implies the upside is very limited from here. Another summer without international tourists will hurt hospitality and related services industries hard. And broadly speaking, higher labour, materials, and regulatory costs are eating into bottom lines all over the show. The good news is that domestic demand remains strong. Overall, business confidence is above pre-crisis levels, but there is a moderating trend at play that we'll need to keep a close eye on over 2022.
- **Public:** Government spending remains highly expansionary. In September, the Minister of Finance announced that the COVID Response and Recovery Fund has been topped up by an additional $7bn. That would bring the total fiscal response (spent over multiple years) to just shy of $70bn (more than 20% of 2020 nominal GDP). The fiscal situation is quite nuanced. Many businesses and households are in desperate need of targeted support, but from a macroeconomic perspective, high government spending in an economy facing severe capacity constraints risks just adding to inflation pressures. That wouldn't be a good return for taxpayers, and also implies the RBNZ will need to hike interest rates more than otherwise (offsetting the macro-support from fiscal settings). Over the past year or so, the extent of capacity constraints has surprised us, the RBNZ, and the Treasury to the upside. And this should have implications for the Treasury's fiscal strategy advice to the Government going forward. It's a fine balance between helping those in need following a patently unfair and arbitrary economic shock, and avoiding unnecessary, inflationary, and wasteful fiscal spending. But fair to say the recovery has progressed to the point that the Government should be considering the pro-cyclical nature of fiscal settings.
- **Global:** On a trend basis, growth in goods export prices has been outstripping import prices. That's great news from a national income perspective, but the dairy industry (our largest goods exporter) is mature, and more likely to remain on a deleveraging pathway than embark on another major investment boom. That means downstream implications may be muted. But it's not just dairy where returns are solid. Meat and horticulture returns are strong. Unfortunately, high freight costs are eroding overseas returns. And labour shortages, regulatory costs, soaring fertiliser costs and global economic and financial market fragilities are still a big concern.

Overall, and looking through the pockets hit hardest by health restrictions, the wider economy has been performing very well – better than anyone dared hope. But economic resources are now very stretched. Workers are scarce (a situation exacerbated by the closed border) and global and domestic supply chain issues are intense (but hopefully past their peak), adding to price and cost pressures.

It's a good thing the RBNZ is already on the case, and has been reducing monetary stimulus since July (when it halted additional LSAP purchases). November brought a second hike, bringing the OCR to 0.75%. Looking forward, we expect the RBNZ will continue tightening the OCR in 25bp increments until it is satisfied the balance of risks around its inflation and full employment mandate are balanced. We've pencilled in a terminal OCR of 2% by August 2022 – ie a 25bp hike at the next five meetings from here. However, there are risks on both sides that could see the hiking cycle either cut short or continuing for longer.

A stronger recovery in global and domestic supply capacity, combined with a sharper-than-expected housing downturn and weaker global demand pulse, could easily result in a net demand shock unfolding over 2022, necessitating an earlier end to OCR hikes (and possibly their reversal). Conversely, the supply recovery may unfold much slower (or be more permanent than assumed), while persistent strong wage pressures threaten a dangerous wage-price spiral, necessitating a longer hiking cycle (ie higher terminal OCR) than we expect. We recently published a note illustrating some of the more extreme paths the economy could take from here. It highlights how we (and every other forecaster for that matter) could be very wrong (or a little wrong) about the outlook, and that the scope for a policy mistake by the RBNZ and the Government is pretty high if they fail to recognise the state of the world we are heading for in a timely manner.

The road to normal starts with traffic lights…

2022 won't be a "normal" year by any means, but it'll hopefully mark a decent leg of the journey. Successful elimination of COVID in the community over 2020 and the first half of 2021 meant that for the most part, New Zealanders enjoyed economic freedoms that much of the world looked at with envy. Kiwis were able to go about their daily lives, confident that the risk of catching COVID-19 was low. But the next phase of the health response will be quite different as we move into a world of traffic lights, vaccine passes, COVID in the community, and gradually reopening borders to vaccinated travellers.

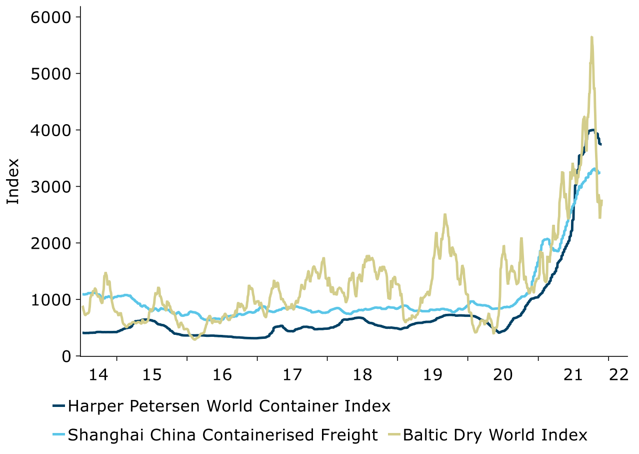
While the new traffic light system won't be as restrictive as the Alert Level system, it's hard to know how your average household will react to the new settings and higher COVID risk. Some will undoubtedly choose to avoid busy locations and prefer working from home if given the opportunity. We think most Kiwis just want to get on with life, and that COVID fear will only have minor impacts in aggregate. Perhaps the larger risk is that further mutation of the virus and/or waning immunity puts too much pressure on the health system, requiring stricter restrictions than the red traffic light setting. Broadly, it looks like the traffic light system will be about as economically restricting as Alert Level 2 for the vaccinated. The economy has proven it can perform pretty well under such settings.

However, we've also learnt from previous experience that once economic restrictions are low enough, economic activity becomes less of a question of what is *allowed* to happen under restrictions and more about what *will* happen. That is, as economic constraints become less binding, outturns will be determined more by the underlying health of the economy and the demand pulse. But before that becomes evident, there will be pent-up demand in Auckland to work through. Brace for data noise!

…and Google maps says to expect delays

We've written at length in the past about the global and domestic supply disruptions that have accompanied this shock, concluding that COVID is on balance an inflationary shock. And while there are still plenty of headlines showing just how acute supply constraints are right now, we're hopeful that there is light at the end of the tunnel. Indeed, global shipping costs are already easing (figure 3). As labour mobility and productivity improves with lifting vaccination rates and opening borders, and as shipping capacity lifts and manufacturing bottlenecks are worked through, we think cost and price pressures will ease further over 2022. While we may not see a return to pre-crisis levels, the moderation will nonetheless be a drag on inflation.

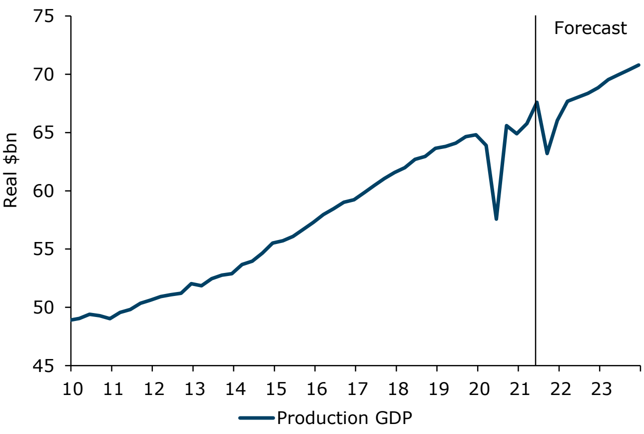
Figure 3. Freight indices



Source: Harper Petersen & Co, Shanghai Shipping Exchange, Baltic Exchange, Bloomberg, Macrobond, ANZ Research

Turning to key macroeconomic forecasts, we know GDP is going to have a wild finish to 2021. We've pencilled in a 6.5% q/q contraction for Q3, followed by a 4.5% rebound in Q4 that continues in Q1 2022 (+2.5% q/q). But let's not get too fixated on the GDP growth numbers for now. There is the annual benchmarking to incorporate in Q3, which could significantly impact our understanding of history before we even think about growth rates. And given the timing of restrictions and associated pent-up demand, volatility in these data won't even begin to settle down until Q2 2022 (which is released in September 2022). Once again, GDP isn't going to be a useful gauge for assessing the degree of capacity stretch in the economy in the near term – it's simply too noisy. We'll have to rely more on price monitoring and survey data (eg capacity utilisation) for that. Over the medium term, we think the ingredients are there for a sustainable growth path (figure 4), chiefly the very tight labour market and fairly robust household sector.

Figure 4. GDP



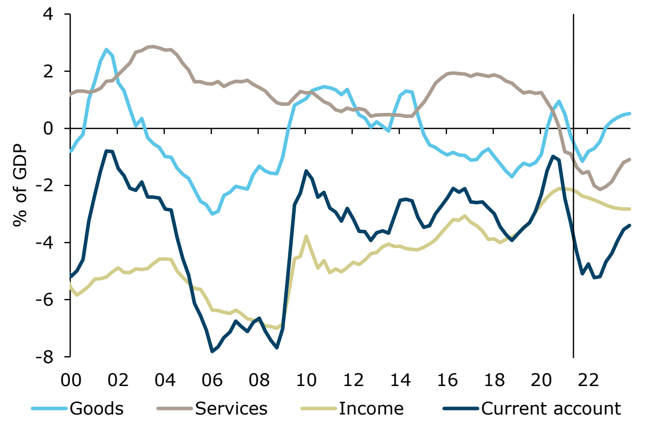
Source: Statistics NZ, ANZ Research

Red light/green light

Touch wood, the icing on the cake for the NZ economy over 2022 will be the gradual reopening of our borders to migrants and international visitors, but it may end up being a late-2022 bump. The Government has said borders will gradually reopen from January to Kiwis, but that fully vaccinated foreign nationals will have to wait until 30 April before the border *begins* to open to them.

Unfortunately, this means another peak tourism season (NZ's summer) without international visitors, and with the border open for Kiwis to escape the 2022 winter, there won't be a positive offset for the industry in the colder months either. It could be a tough slog to the finish line for NZ tourism. We have pencilled in a gradual lift in services exports starting in Q2 2022, but the lift in services imports is expected to start earlier. Net services exports are expected to drag on the economy in the first part of 2022, driving a further widening of the services deficit. That will see the current account deficit widen further too (figure 5).

Figure 5. Balance of payments



Source: Stats NZ, ANZ Research

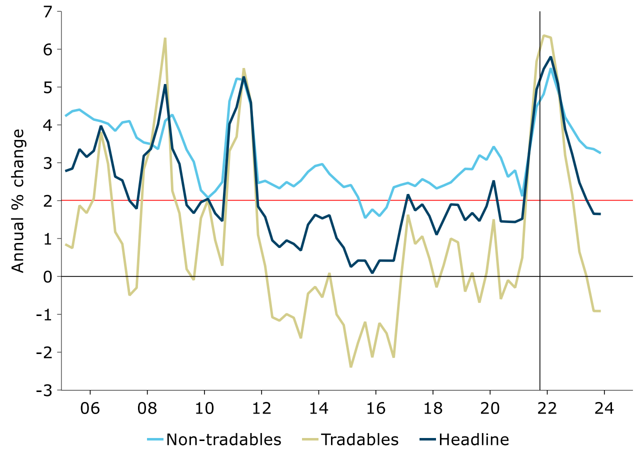
The evolution of the labour market will be particularly important for gauging broader economic momentum – even more so in the near term, given headline GDP will be thrown around by lockdown. We expect tightness in the labour market to continue into 2022 and beyond, with the unemployment rate drifting to a low of 3% in Q4 2022. Firms have been successful at drawing people into the labour market from inactivity, and we think that will continue – seeing the participation rate holding up around current record levels. It's very possible that participation falls instead, as COVID fear deters some workers in close contact service industries and longer-term population aging trends take hold. But if overall employment holds it together through that, this would imply an even lower unemployment rate than we've pencilled in.

Figure 6. Unemployment rate and labour costs

Source: Stats NZ, Macrobond, ANZ Research

Balancing it all up, CPI inflation is poised to intensify in the very near term with tradable prices having jumped from high to high recently. However, as discussed, much of the tradable inflation pulse is expected to unwind over 2022, and even turn negative for a time (figure 7).

Figure 7. CPI inflation



Source: Stats NZ, Macrobond, ANZ Research

Importantly for the RBNZ, the tight labour market will keep the pressure on non-tradable inflation, with headline inflation pretty close to the 2% target midpoint by the end of 2023. On balance, we think a series of OCR hikes towards 2% will put the economy on this path, but there's still plenty of economic distortion out there that will keep the RBNZ on their toes. The economy has evolved extremely rapidly over the past 18 months, and the eventual turn in the cycle could be just as rapid. Indeed, mortgage rates have experienced their sharpest rise in almost two decades, and we need to be cognisant of the lags between monetary conditions and economic activity.

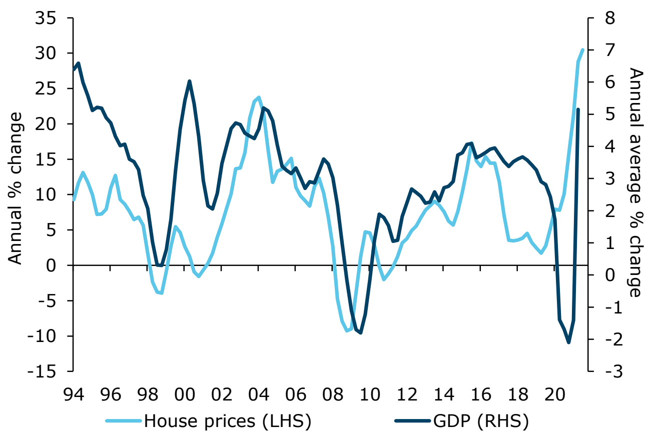
The RBNZ proceeding with caution is the right thing to do.

We'll need to keep a very close eye on the fundamental state of the economy as monetary tightening continues.

Here's what we'll be watching:

- The health of the **household sector** is top of mind as we head into 2022. Consumer confidence is a worry right now, but labour market data and strong retail spending suggest there's still plenty of underlying momentum. But sub-par consumer confidence, combined with higher interest rates, could lead to a more significant household sector deleveraging scenario than we expect. This may show up initially in our own internal card-spending data, so it'll pay to keep a close eye on this, alongside employment and confidence. Business confidence may provide an early warning sign too, via firms' reported employment intentions.
- The **housing market** is definitely on a watching brief. It's notoriously difficult to forecast, but it tends to be highly correlated with broader economic momentum (figure 8). If the housing market moderates more quickly, and/or the downstream impacts on the economy are stronger than we assume, then the economic recovery may well stagnate. But again, it's not the housing market *per se* of which we need to be wary; it's the flow-on implications for broader confidence and activity. The RBNZ has been warning for a while now that house prices are overvalued – we concur. We suspect the RBNZ is therefore unlikely to respond to a weaker housing market until they are convinced it's weighing on broader economic momentum.

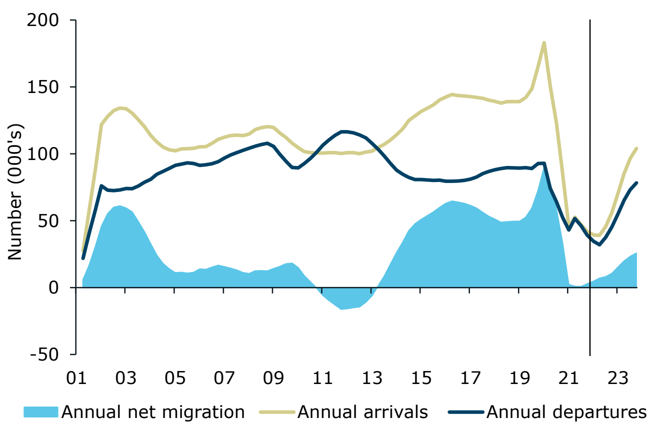
Figure 8. Annual house price inflation and GDP growth



Source: REINZ, Stats NZ, ANZ Research

- **Price pressures** and capacity constraints are going to remain very topical into 2022. Inflation expectations by many measures are already off the charts, and if the prospect of a higher OCR doesn't eventually rein that in, then the RBNZ may need to be a little more aggressive. We'll also need to keep a very close eye on global supply chain developments. Hard and soft commodity prices as well as shipping costs will be closely watched.
- **Net migration** has been very low and very stable with our borders closed. But it could become a lot more interesting in 2022. It's hard to say how many Kiwis are waiting to head overseas once they are confident they will be able to return without the going through the rigmarole of booking an MIQ slot. It's also hard to know what policy changes the Government might make that restrict the number of migrants to NZ. The state of the housing market is testament to the flaws of a migration-driven growth strategy. We assume migration will lift gradually over 2022 as borders reopen to travellers, but tighter policy settings, and/or a mismatch in when NZ borders open relative the rest of the world (with Kiwis jumping ship in the search for higher real incomes) could result in a net outflow. That would take the pressure of housing a lot faster, and while it will have offsetting implications for inflation (both the supply and demand side of the economy would take a hit), it could affect the broader economic mood, hurting investment.

Figure 9. Net migration assumption



Source: Stats NZ, ANZ Research

- Lastly, **the COVID situation** is going to keep us all on our toes for a long while yet. Vaccines are a game changer, but this virus can mutate quickly (as demonstrated by the Omicron variant concern). On the upside, antiviral treatments are also looking promising.

Red light/green light

All up, 2022 will be a key milestone in the road to normal, but it certainly won't be the end of the journey. There will be red lights, orange lights, and hopefully green lights. We're hoping policy makers can engineer a smooth transition from copious macro-stimulus towards a tight labour market and gradually reopening borders, but with so many moving parts, the chances we hit a few potholes along the way seem high.

In that context, the RBNZ will be doing well to be in a position to steadily increase the OCR at every opportunity through 2022, and the odds seem skewed against more yet being needed at that point. But we certainly can't rule it out. Our modest OCR forecast nets out two very large opposing forces: lots of persistent inflation pressure, but greater sensitivity to rate hikes due to debt loadings that make parts of the economy actually relatively fragile (a global theme). That characterisation illustrates why uncertainty around the future path of interest rates is so high.

Markets outlook

Summary

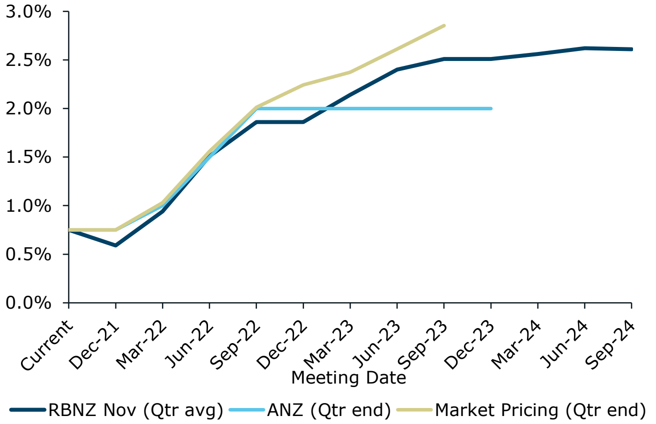
Very short-term interest rates like the 90-day bank bill will rise as the OCR rises to 2.00% over 2022, but with forward interest rate markets already pricing in an even larger rise than that, other key short-term interest rates like the 2-year aren't likely to rise much further. On the contrary, we see scope for them to correct a little lower if frothy market expectations for the OCR (which exceed our forecast and the RBNZ's projections) get pared back over coming months. We expect long end interest rates to continue to rise, taking their lead from US bonds, whose yields are expected to rise over 2022 as the Fed transitions from tapering to tightening. Our FX forecasts continue to assume that NZD/USD appreciates towards 0.72 before levelling off over 2022, but the risks to that not being achieved are increasing as markets weigh up fresh COVID risks, the prospect of an accelerated Fed tapering profile and generalised late-cycle risks to the global growth outlook.

Higher OCR coming, but it's already priced in

We expect the RBNZ to continue tightening monetary policy over the course of 2022, taking the OCR to a cycle high of 2.00%. We expect this to be achieved via a series of measured hikes in increments of 0.25%pts at each meeting up to and including August 2022. This is a slightly more aggressive forecast than what we had pencilled in one quarter ago (back then we were forecasting a 1.5% peak in the OCR). That upgrade mainly reflects the better starting point the economy was in going into recent lockdowns, and higher inflation pressures.

Markets expectations for the OCR have come back from where they were immediately before the RBNZ's November Monetary Policy Statement. At that time, markets were pricing in a peak OCR closer to 3%. But even after adjusting lower, they are still pricing in a more elevated profile than we expect. Additionally, by early December, even after news of the Omicron variant of COVID had emerged, market expectations were still above even the RBNZ's freshly revised projections (Figure 1).

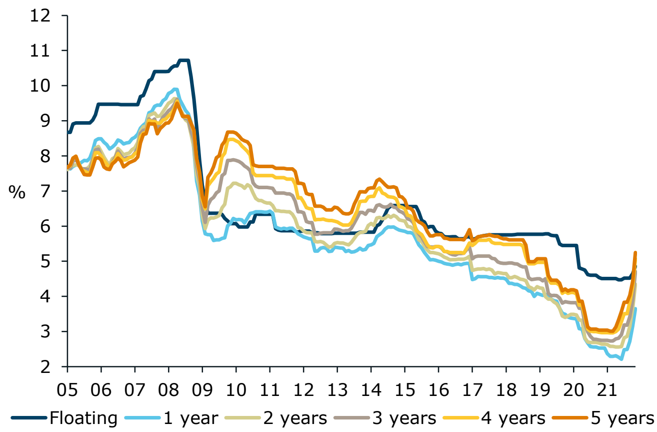
Figure 1. ANZ forecasts and market expectations for the OCR



Source: RBNZ, ICAP, Bloomberg, ANZ Research

Despite the clearly better starting point for the economy, we believe the medium-term risks to the outlook are even more skewed to the downside than they were a quarter ago. That's mainly thanks to what we see as fragilities emerging in the housing market, COVID risks, and generalised late-cycle risks to the outlook for global growth and asset prices. We are also mindful that mortgage rates have risen sharply over the past six months (Figure 2). Not only will that dramatically tighten household financial conditions, but it has effectively done some of the work for the RBNZ.

Figure 2. Mortgage Rates (average of the "Big-4" Banks)



Source: ANZ Research, interest.co.nz

With markets pricing in a more aggressive OCR profile than we expect and the RBNZ is projecting, we see less scope for significant further rises in key short-end interest rates like the 2-year. While very short-term interest rates like the 3-month bank bill will continue to move up as the OCR goes higher (and can only "look" 3 months into the future), 2-year interest rates have already moved up in anticipation of the OCR moving up to 2% and beyond over 2022.

Markets outlook

Technically we see scope for 2-year rates to correct a little lower given how frothy expectations still are. However, in a rising OCR environment, markets often tend to err on the high side of fair-value calculations based on OCR forecasts, which form the foundation for our short-end forecasts.

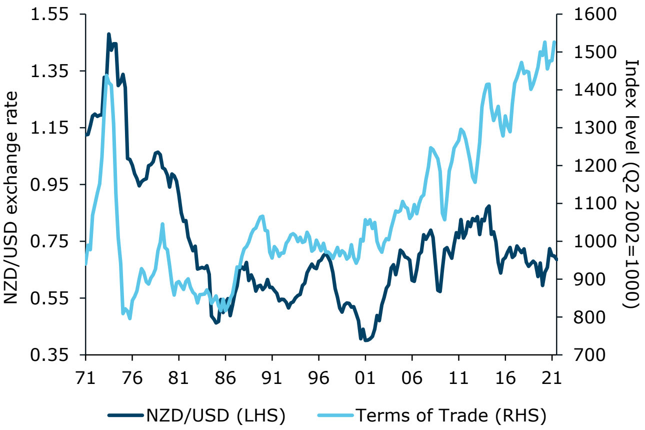
Global rates still pressuring the long end higher, but a lot of work has already been done

Long-end interest rates continue to be driven by global interest rates – in particular US and Australian bond yields. Neither the US Federal Reserve nor the Reserve Bank of Australia have started lifting their policy rates, and both are still engaged in QE. But the pace of QE is slowing and markets expect both central banks to hike in 2022 or 2023, and long-term bond yields have started rising in anticipation. Bond yields have been trending higher in both markets (and more widely globally) since the middle of the year, and while they did correct lower on news of the Omicron virus in late November, we expect long-term global interest rates to continue trending higher, taking New Zealand long-end interest rates with them.

Our forecast assume that 10-year bond yields rise to a high of 2.8% over the next year. That's not a significant rise from current levels just under 2½%, but as is the case with the short end, that's because they have already moved a long way as economic data has surprised to the topside, and as market expectations for the OCR have lifted. Up until this point, that has been reflected in a wider NZ/US 10-year bond spread. We expect this spread to continue to widen as the RBNZ presses on with OCR hikes, but with Fed tapering already underway (and the Fed hinting at it being sped up), and tightening coming, we eventually expect the NZ/US spread to narrow. This is expected to manifest in US bond yields rising more rapidly than NZ bond yields, as opposed to NZ bond yields falling per se.

Our FX forecasts continue to assume that NZD/USD appreciates towards 0.72 before levelling off over 2022. That forecast is based on New Zealand's clear (and growing) interest rate advantage and still elevated terms of trade (Figure 3). This forecast does look somewhat challenging in the wake of the correction lower as markets reacted to news of the new Omicron variant of COVID, which saw NZD/USD dive below 0.6800. We acknowledge that the RBNZ's more considered tone, prospects for an accelerated Fed taper and risks around global asset prices do pose downside risks to our forecasts, but we are also mindful of the seasonal tendency for the Kiwi to appreciate in December, the high cost of shorting the NZD, and the still positive tone of the data flow in New Zealand (even if future surprises are harder to come by).

Figure 3. 50 years of the NZD and Terms of Trade



Source: Stats NZ, Bloomberg, ANZ Research

Table 1: Forecasts (end of quarter)

FX Rates	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
NZD/USD	0.72	0.72	0.72	0.72	0.72	0.72	0.72
NZD/AUD	0.96	0.96	0.96	0.96	0.96	0.96	0.96
NZD/EUR	0.64	0.64	0.64	0.63	0.63	0.63	0.62
NZD/JPY	83.5	83.5	83.5	83.5	83.5	83.5	83.5
NZD/GBP	0.54	0.53	0.53	0.53	0.53	0.53	0.52
NZD/CNY	4.61	4.59	4.57	4.55	4.54	4.52	4.50
NZ$ TWI	76.6	76.5	76.4	76.1	75.9	75.8	75.5
Interest Rates	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Jun-23**
NZ OCR	0.75	1.00	1.50	2.00	2.00	2.00	2.00
NZ 90 day bill	1.02	1.52	2.02	2.10	2.10	2.10	2.10
NZ 2-yr swap	1.93	2.05	2.10	2.10	2.10	2.10	2.10
NZ 10-yr bond	2.50	2.60	2.70	2.70	2.80	2.80	2.80

Source: Bloomberg, ANZ Research

Key forecasts

Calendar Years	2017	2018	2019	2020	2021(f)	2022(f)	2023(f)
NZ Economy (annual average % change)							
Real GDP (production)	3.5	3.4	2.4	-2.1	4.2	3.9	2.8
Private Consumption	5.6	4.4	3.5	-1.4	7.6	2.7	3.1
Public Consumption	3.4	3.4	5.4	6.3	7.1	2.6	2.3
Residential investment	-1.5	1.2	4.9	-4.3	13.8	8.8	4.0
Other investment	6.9	9.5	2.6	-8.0	4.0	2.8	5.5
Stockbuilding[1]	0.2	0.4	-0.7	-0.8	1.2	-0.3	0.0
Gross National Expenditure	5.2	5.3	2.9	-2.1	8.8	3.0	3.4
Total Exports	2.7	3.2	2.4	-12.8	-4.0	6.7	9.9
Total Imports	7.3	6.4	2.1	-15.9	13.8	4.9	5.2
Employment (annual %)	3.7	2.2	1.2	0.6	3.6	2.3	1.3
Unemployment Rate (sa; Dec qtr)	4.5	4.3	4.0	4.8	3.5	3.0	3.2
Labour Cost Index (annual %)	1.9	2.0	2.4	1.5	2.8	3.7	3.2
Terms of trade (OTI basis; annual %)	7.9	-4.8	7.1	-1.6	4.5	2.0	2.2
Prices (annual % change)							
CPI Inflation	1.6	1.9	1.9	1.4	5.5	3.2	1.6
Non-tradable Inflation	2.5	2.7	3.1	2.8	4.8	3.9	3.3
Tradable Inflation	0.5	0.9	0.1	-0.3	6.4	2.1	-0.9
REINZ House Price Index	3.5	3.2	5.2	15.6	27.1	1.0	5.2
NZ Financial Markets (end of December quarter)							
NZD/USD	0.71	0.67	0.67	0.72	0.72	0.72	0.72
NZD/AUD	0.91	0.95	0.96	0.94	0.96	0.96	0.96
NZD/EUR	0.59	0.59	0.60	0.59	0.64	0.63	0.62
NZD/JPY	79.9	73.8	73.1	74.6	83.5	83.5	83.5
NZD/GBP	0.53	0.53	0.51	0.53	0.54	0.53	0.51
NZD/CNY	4.62	4.62	4.69	4.74	4.61	4.54	4.46
NZ$ TWI	74.4	73.4	73.7	75.2	76.6	75.9	75.2
Official Cash Rate	1.75	1.75	1.00	0.25	0.75	2.00	2.00
90-day bank bill rate	1.88	1.97	1.29	0.27	1.02	2.10	2.10
2-year swap rate	2.21	1.97	1.26	0.28	1.93	2.10	2.10
10-year government bond rate	2.72	2.37	1.65	0.99	2.50	2.80	2.80

[1] Percentage point contribution to growth

Forecasts finalised 1 December 2021

Source: Statistics NZ, REINZ, Bloomberg, Treasury, ANZ Research

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