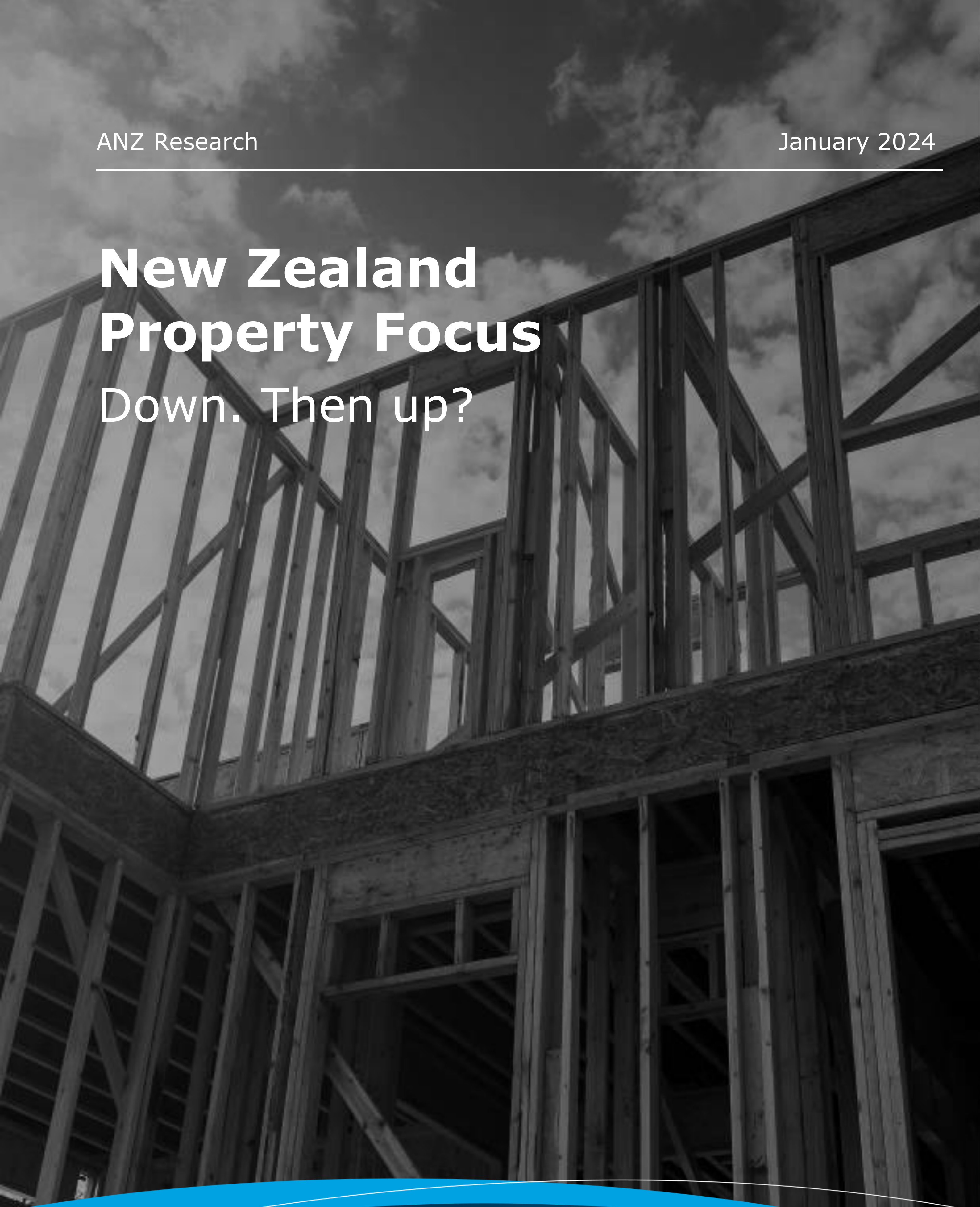
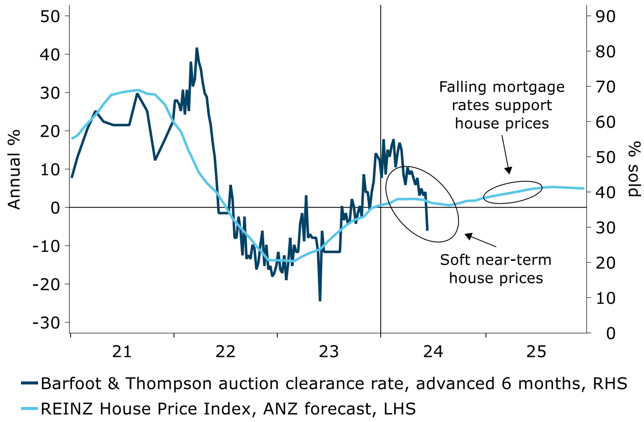
New Zealand Property Focus

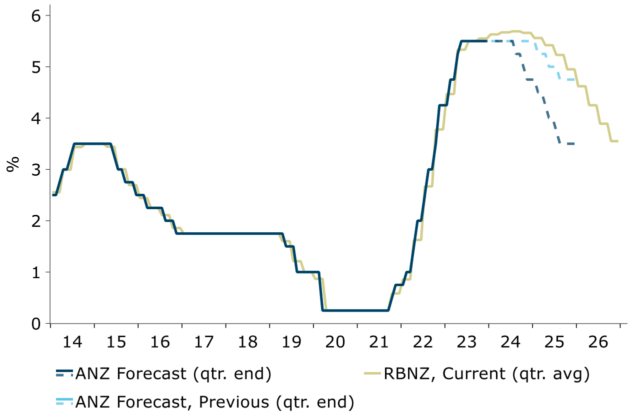
Down. Then up?



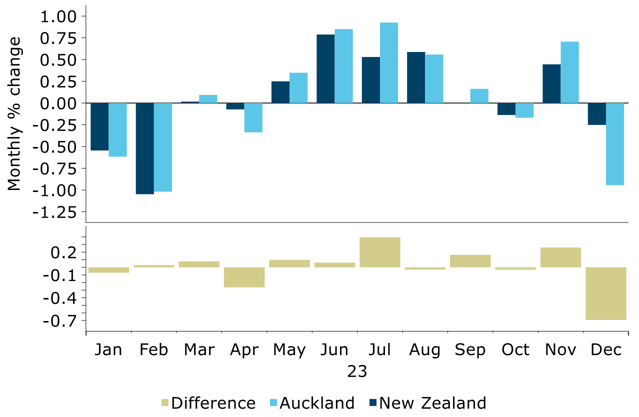
We now expect house prices to be flat in the first half of this year…



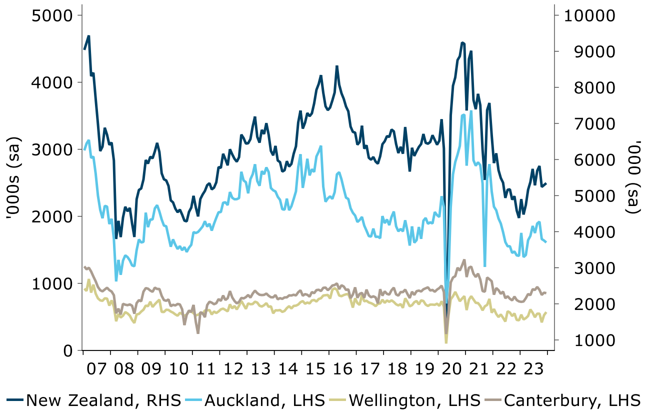
…but OCR cuts should turn around housing market momentum



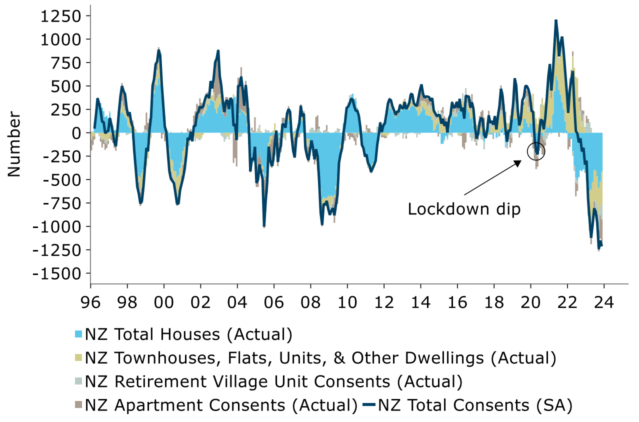
House prices fell in December, with Auckland especially weak



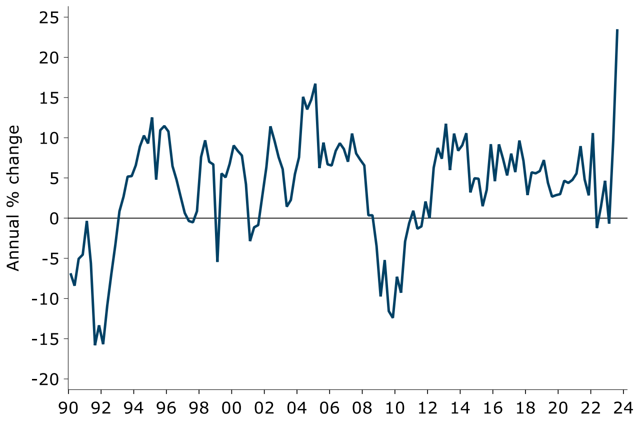
Sales remain soft – Auckland sales have fallen for 3 months in a row



Consents have been falling with the construction industry in a bust…



…but 40,000 more construction employees must have been hired for a purpose!



Source: REINZ, Stats NZ, RBNZ, Barfoot and Thompson, interest.co.nz, Macrobond, ANZ Research

Contact

Sharon Zollner, Andre Castaing, or David Croy for more details.

See page 14

INSIDE

ISSN 2624-0629

Publication date: 30 January 2024

Summary

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

Property Focus

We expect house prices to go sideways over the first half of this year. House prices fell 0.3% m/m sa nationwide in December and Auckland led the way, down 0.9% m/m. Forward indicators of house prices remain soft, with elevated inventories and sluggish house sales. As mortgage rates fall in the second half of this year we expect house prices to recover, as buyers who were unable to enter the market due to high servicing costs purchase homes. This month we changed our OCR forecast. We now expect the RBNZ to deliver a steady sequence of 25bp OCR cuts starting in August. That timing is not a strong conviction call by any means, and we currently see the risks as roughly balanced on whether the RBNZ starts cutting earlier or later than that. And one can't rule out a hike in February, though that isn't our forecast. In other news this month, the RBNZ proposed changing mortgage lending rules. Their new DTI limits are unlikely to have much impact this year, as we don't see them being binding for some time. The associated loosening of LVR settings is likely to provide modest support for house prices from the second half of the year. The RBNZ is not intending to have a big impact on credit conditions overall with these changes and we expect impacts to be small. See the Property Focus section.

Feature Article: Building on up

Construction may be about to bottom out. Fair to say, the housing market rebound has been underwhelming since it found a floor earlier than anticipated in April. However, the outlook for construction is nonetheless intriguing, as population growth and still-high interest rates square off. While consents are yet to find a floor, builders in the ANZ Business Outlook survey became much more optimistic some months ago, and their colleagues in the NZIER QSBO now concur. That suggests that consents and construction activity could soon base. The RBNZ is relying on a prolonged slowdown in residential construction as part of their plan to bring down domestic inflation, and the risk is that the slowdown will be sharper but not as prolonged as the RBNZ expects. The implications for the inflation outlook are unclear. See this month's Feature Article.

Mortgage Borrowing Strategy

Mortgage rates are either unchanged or slightly lower this month. Falls seen in carded rates haven't been particularly large, but they are noticeable and represent a welcome change for borrowers after a year of steady increases. The catalyst has been the turnaround in wholesale interest rates as markets look for OCR cuts later in the year. While we can't rule out a further OCR hike from the RBNZ (things are going their way, but perhaps not quickly enough), at this point that's not our central scenario; we are forecasting cuts starting in August. While the prospect of OCR cuts points to progressively lower mortgage rates over time (which we have incorporated into our projections), if there is a word of caution, it is that financial markets may have gotten a little ahead of themselves, which in turn, suggests that mortgage rate cuts seen this month may not be repeated in the immediate months ahead. But there are reasons to be more confident that rates are likely to be lower in a year's time, and that may be enough to deter borrowers from fixing for longer. Managing risks is always key though, and one way to do so is to spread borrowing over several terms. See our Mortgage Borrowing Strategy.

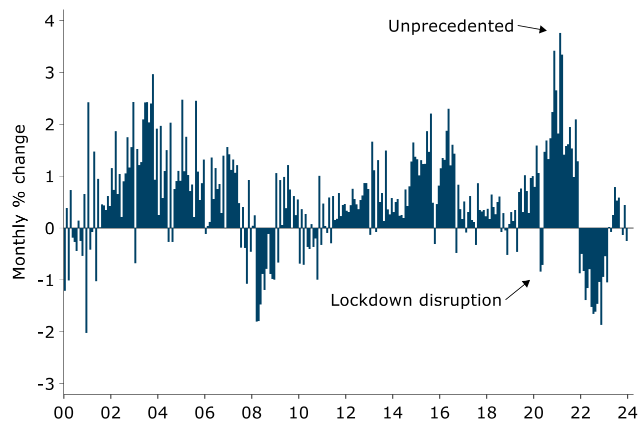
Summary

We expect house prices to go sideways over the first half of this year. House prices fell 0.3% m/m sa nationwide in December and Auckland led the way, down 0.9% m/m. Forward indicators of house prices remain soft, with elevated inventories and sluggish house sales. As mortgage rates fall in the second half of this year we expect house prices to recover, as buyers who were unable to enter the market due to high servicing costs purchase homes. This month we changed our OCR forecast. We now expect the RBNZ to deliver a steady sequence of 25bp OCR cuts starting in August. That timing is not a strong conviction call by any means, and we currently see the risks as roughly balanced on whether the RBNZ starts cutting earlier or later than that. And one can't rule out a hike in February, though that isn't our forecast. In other news this month, the RBNZ proposed changing mortgage lending rules. Their new DTI limits are unlikely to have much impact this year, as we don't see them being binding for some time. The associated loosening of LVR settings is likely to provide modest support for house prices from the second half of the year. The RBNZ is not intending to have a big impact on credit conditions overall with these changes and we expect impacts to be small.

House prices fell in December, with Auckland especially soft.

The housing market is soft. House prices fell 0.3% m/m nationwide in December, their weakest month since February 2023 (figure 1).

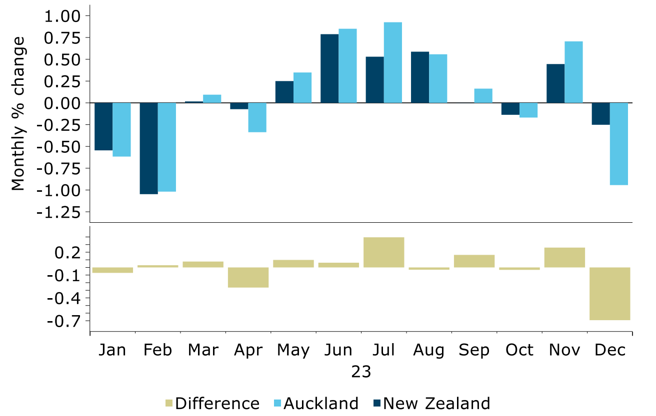
Figure 1. Nationwide house prices



Source: REINZ, Macrobond, ANZ Research

Auckland was especially weak this month, falling 0.9% m/m (figure 2), dragging down the house price index for the rest of New Zealand. While Auckland house prices tend to move around each month, momentum, or lack thereof, in Auckland tends to flow through to house prices in the rest of the country.

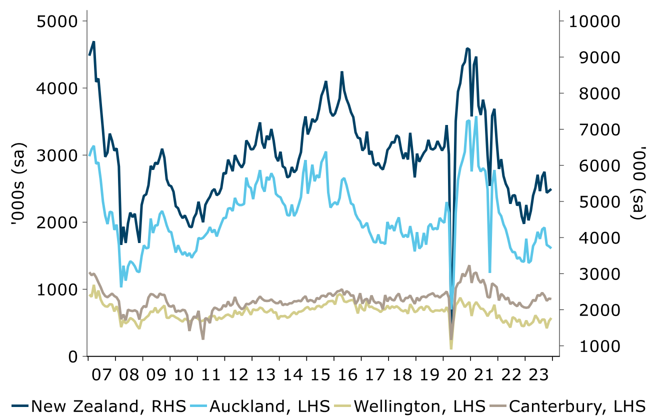
Figure 2. Auckland house prices



Source: REINZ, Macrobond, ANZ Research

It's a similar story with house sales. Auckland house sales are sluggish, having fallen in each of the last three months, with a 1.8% fall in December (figure 3). Sales throughout the rest of the country aren't as weak, but they aren't indicating strong prices ahead.

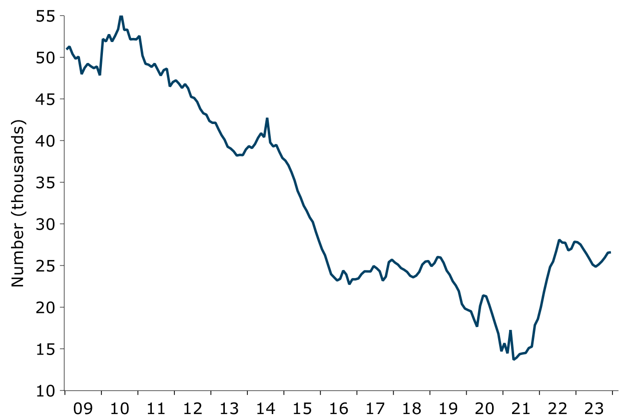
Figure 3. House sales



Source: REINZ, Macrobond, ANZ Research

Inventories have also built up again, and are not far off their 2022/3 highs (figure 4).

Figure 4. Lifting inventories

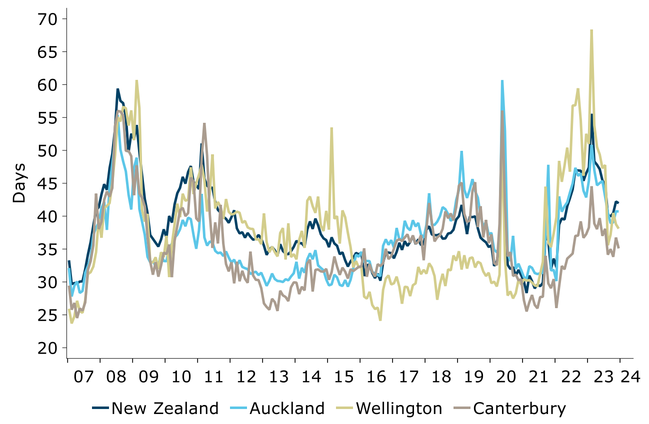


Source: REINZ, Macrobond, ANZ Research

Property Focus

Days to sell remain elevated, with the average home now selling in about 42 days, above the long-term average of 39, indicating that the market remains soft after the 2022 house price falls (figure 5).

Figure 5. Days to sell

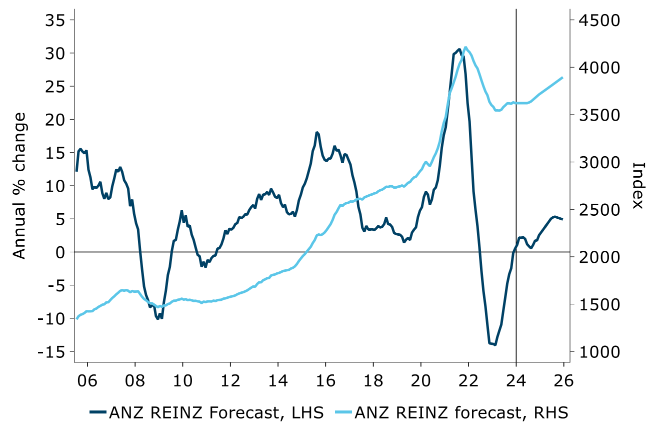


Source: REINZ, Macrobond, ANZ Research

We expect house prices to go sideways over the first half of this year…

The extent of weakness across house prices and leading indicators has caused us to tweak our house price forecast downwards. We now expect house prices to stay flat over the first half of this year and finish the year with a 2% lift (figure 6).

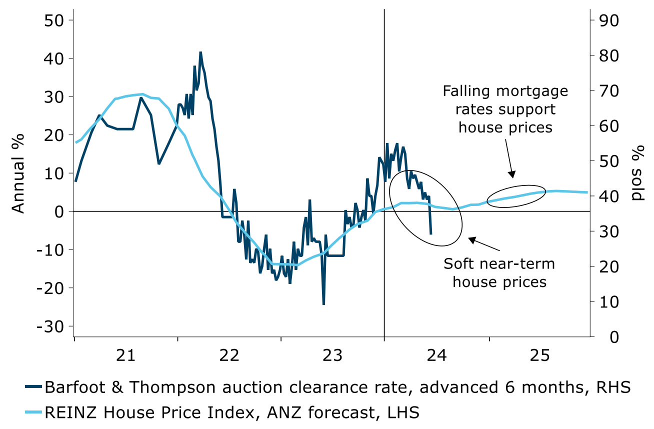
Figure 6. Our house price forecast



Source: REINZ, Macrobond, ANZ Research

Auction clearance rates in Auckland have been soft recently and indicate house prices could fall, but they can be very volatile and we'll wait for more evidence before reading too much into it (figure 7).

Figure 7. Our updated house price forecast and Auckland auction clearance rates

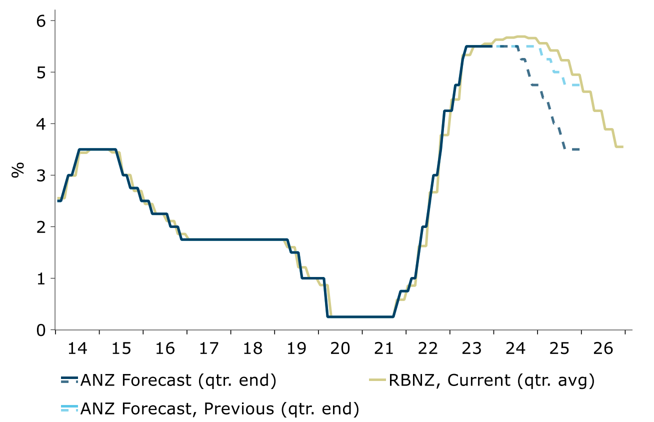


Source: REINZ, Barfoot & Thompson, interest.co.nz, Macrobond, ANZ Research

… but we also expect house prices to lift as mortgage rates decline

When mortgage rates take a large step lower, we expect house prices to lift as buyers who were unable to enter the market due to high servicing costs purchase homes. This month we changed our OCR forecast. We now expect the RBNZ to deliver a steady sequence of 25bp OCR cuts starting in August, taking the OCR to 3.5% over 12 months (figure 8).

Figure 8. Our OCR forecast



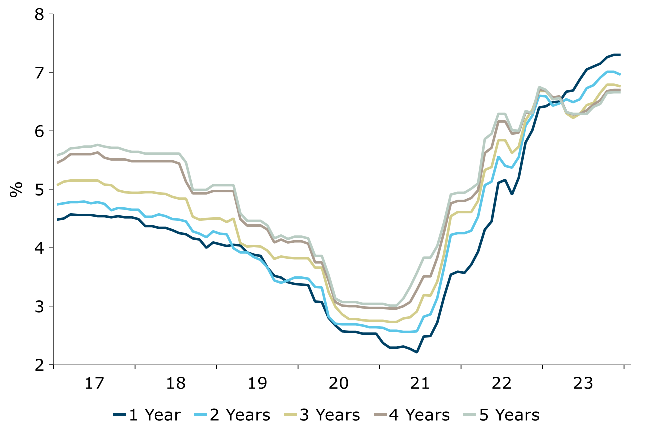
Source: RBNZ, Macrobond, ANZ Research

As these cuts flow through to mortgage rates we expect them to turn housing market momentum around, supporting modest lifts in house prices over the second half of this year. Looser LVR settings (discussed over the page), should provide a modest lift later this year also. Overall, we expect this to more than offset house price stagnation in the first half of the year, to leave house prices up 2% in 2024. It's a delicate balance and house prices could easily notch up a modest fall or a larger gain this year.

August OCR cuts are not a strong conviction call by any means, and we currently see the risks as roughly balanced on whether the RBNZ starts cutting earlier or later than that. On our current forecasts, by the September quarter inflation is back in the band, unemployment has cracked the 5% mark and is still rising, and economic activity is sluggish. However, there's still a chance of a hike, either in February, or later in the year if inflation ultimately gets 'stuck'.

Borrowers have just started to see the benefit of market expectations for a lower OCR this year. Mortgage rates have begun falling for those borrowing at longer fixed terms (figure 9). We expect 1 and 2 year fixed mortgage rates to come to rest at about 6% in 18 months' time, around their average level over the past 15 years.

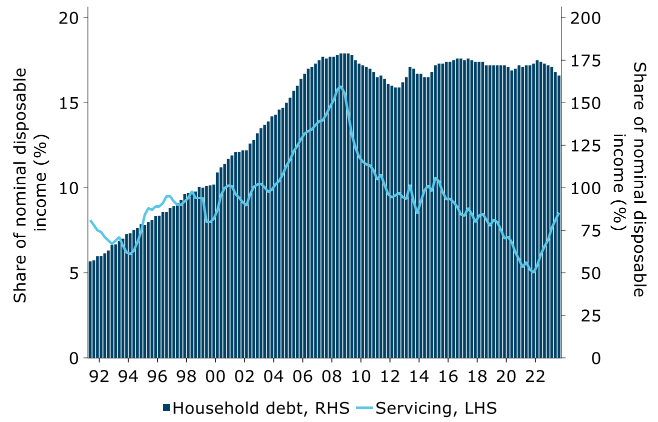
Figure 9. Mortgage rates



Source: RBNZ, Macrobond, ANZ Research

While the recent run-up in mortgage rates has been painful for homeowners with large mortgages, on average homeowners have found this hiking cycle much less severe than in the early 2000s. Currently, kiwi households are spending around 10% of their income on servicing their mortgages, while pre-GFC this figure peaked closer to 15%. One of the reasons for this difference is that household debt has been flat relative to incomes over the last 15 years (figure 10). Debt has grown, but incomes have too.

Figure 10. Household debt servicing



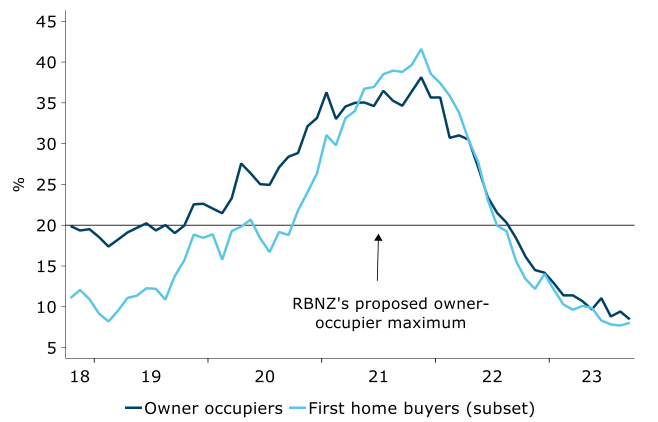
Source: Stats NZ, RBNZ, Macrobond, ANZ Research

The RBNZ has proposed changing the rules on riskier mortgage lending

The growth of household debt in New Zealand is at times constrained by the RBNZ's regulations on mortgage lending. This month, the RBNZ released for consultation proposed changes to its mortgage lending polices, with implementation likely in the second half of this year. These policies are intended to reduce the risk of bank failures in the event of a housing market downturn and are unrelated to the RBNZ's inflation-targeting objective.

Loan-to-value (LVR) restrictions, which limit the size of a loan relative to the value of the house in question, have been around for nearly a decade. The new element is debt to income (DTI) ratio limits, which restrict new bank lending according to a borrower's debt as a multiple of their income. The RBNZ has proposed capping lending at no more than 20% for owner occupiers with a DTI greater than 6x their income (figure 11).

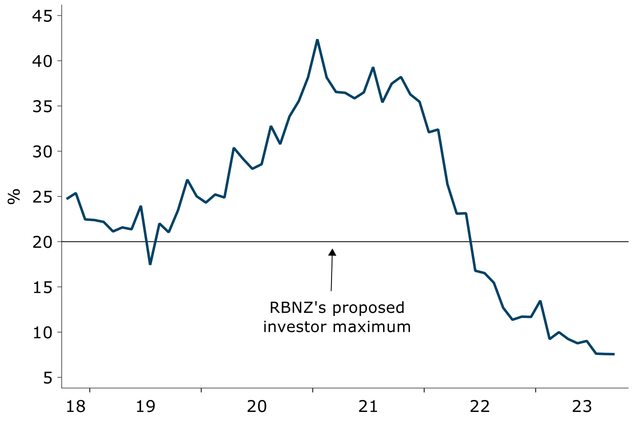
Figure 11. Percentage of new lending to owner occupiers with a DTI above 6x



Source: RBNZ, Macrobond, ANZ Research

For investors they've proposed capping lending at no more than 20% to those with a DTI greater than 7x their income. Banks were doing considerably more high-DTI lending than that during the recent boom (figure 12).

Figure 12. Percentage of new lending to investors with a DTI above 7x

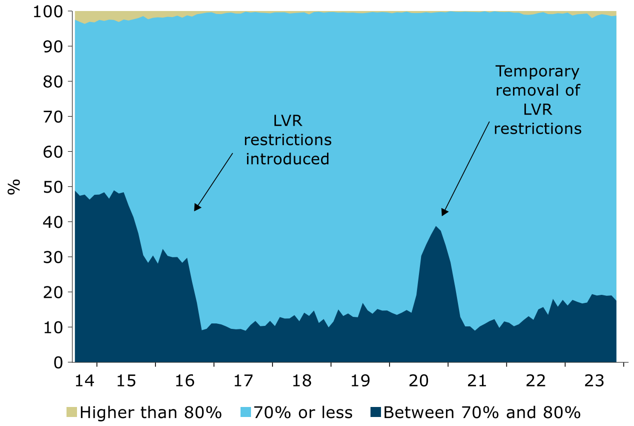


Source: RBNZ, Macrobond, ANZ Research

At the same time the RBNZ is proposing easing LVR restrictions, allowing banks to write 20% (previously 15%) of their mortgages to owner occupiers with less than a 20% deposit, while 95% of investor lending will now require at least a 30% deposit (previously at least a 35% deposit is required).

The lift in the investor LVR cap from 65% to 70% will allow investors to acquire more leverage from the same amount of equity – borrowing more and potentially paying more for a property at the same time that tax changes will, all else equal, lift the expected financial returns from a given rental property.

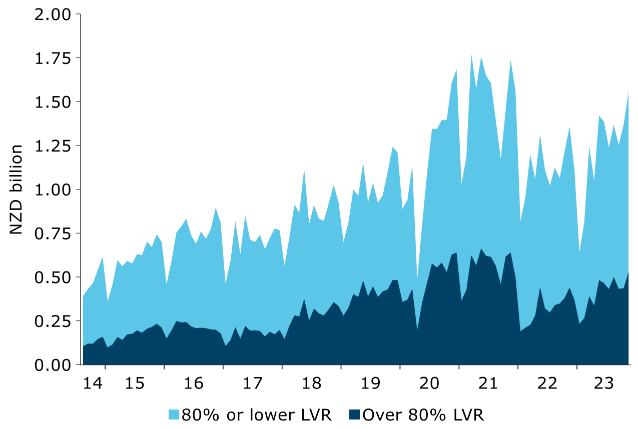
Figure 13. Share of lending to investors by LVR



Source: RBNZ, REINZ, Macrobond, ANZ Research

While first home buyers are not explicitly targeted by DTI limits, they will be more affected than owner occupiers simply because of the fact that first home buyers typically require more borrowing than people who are upsizing or moving. The same is true for LVR restrictions to some extent as well, so the easing of LVR restrictions will make it a touch easier for some first home buyers (figure 14).

Figure 14. First home buyer lending by LVR



Source: RBNZ, REINZ, Macrobond, ANZ Research

The new DTI limits are unlikely to have much impact on lending this year, as we don't see them becoming binding for some time. This is consistent with the RBNZ's stated intent to calibrate them "so they act as guardrails – in which they are binding during booms but minimally binding during other times." In our view the associated loosening of LVR settings is likely to provide modest support for house prices from the second half of the year. The RBNZ is not intending to have a big impact on credit conditions overall with these changes and we expect impacts to be small.

Housing market indicators for December 2023 (based on REINZ data seasonally adjusted by ANZ Research)

	Median house price			House price index		Sales		Average days to sell
	Level	Annual % change	3-mth % change	Annual % change	3-mth % change	# of monthly sales	Monthly % change	
Northland	$607,894	-15.2	-7.9	-3.4	1.2	150	+1%	68
Auckland	$1,028,098	1.3	0.6	0.5	0.3	1,609	-2%	41
Waikato	$750,199	1.5	0.3	-2.9	0.2	526	+1%	43
Bay of Plenty	$827,361	-4.0	1.8	-0.8	0.8	353	+8%	50
Gisborne	$555,150	-4.5	-8.6	-0.2	0.9	35	+45%	44
Hawke’s Bay	$647,010	-5.8	-3.0	-0.2	0.9	198	+31%	52
Manawatu-Whanganui	$519,818	-5.4	-2.8	-1.9	-0.1	272	+7%	45
Taranaki	$628,621	3.2	3.2	0.2	1.2	125	-3%	43
Wellington	$787,031	1.5	-0.2	2.7	0.9	572	+9%	38
Tasman, Nelson & Marlborough	$706,464	-3.8	-2.8			210	+27%	51
Canterbury	$661,746	1.5	0.3	1.9	0.7	853	-1%	35
Otago	$662,751	-0.7	-2.0	5.0	0.1	327	+8%	43
West Coast	$349,781	5.5	5.1	-1.3	0.7	35	+4%	40
Southland	$441,549	2.1	-1.7	-0.3	1.0	127	-3%	49
New Zealand	**$776,125**	**-0.6**	**-1.5**	**0.5**	**0.3**	**5,346**	**+1%**	**42**

Feature Article: Building on up

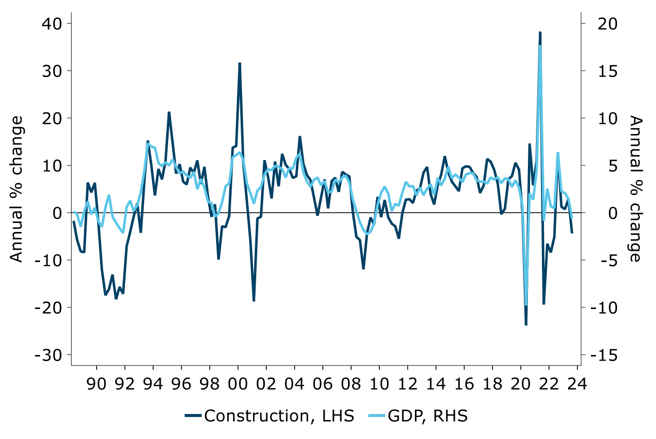
Summary

Construction may be about to bottom out. Fair to say, the housing market rebound has been underwhelming since it found a floor earlier than anticipated in April. However, the outlook for construction is nonetheless intriguing, as population growth and still-high interest rates square off. While consents are yet to find a floor, builders in the ANZ Business Outlook survey became much more optimistic some months ago, and their colleagues in the NZIER QSBO now concur. That suggests that consents and construction activity could soon base. The RBNZ is relying on a prolonged slowdown in residential construction as part of their plan to bring down domestic inflation, and the risk is that the slowdown will be sharper but not as prolonged as the RBNZ expects. The implications for the inflation outlook are unclear.

There's not been a lot of building…

Construction has struggled to tread water in the face of enormous cost rises from supply chain bottlenecks and labour shortages, falling house prices and a steep run-up in interest rates. Construction typically faces boom-bust cycles, and the current downturn has helped drag economic activity in New Zealand into recessionary territory (figure 1).

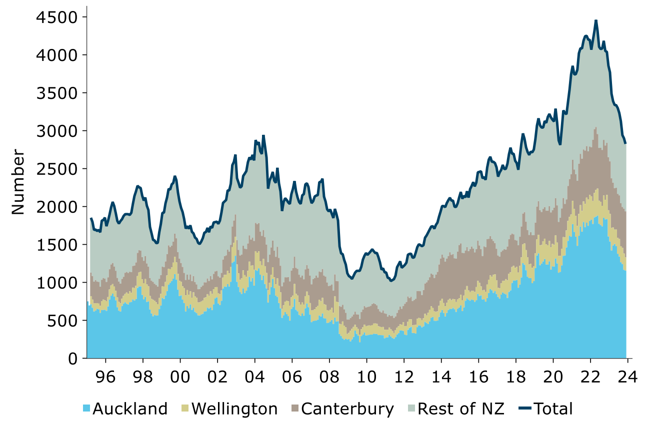
Figure 1. Construction and GDP



Source: Stats NZ, Macrobond, ANZ Research

One of the leading indicators we use to assess the outlook for construction activity is building consents, as before building can start a consent is usually required. In general, consents tend to lead construction by 3-6 months; however, this can vary depending on supply chains, the type of building and the overall economic situation. Consents around New Zealand have unwound their Covid-era surge and are now below their pre-pandemic level (figure 2).

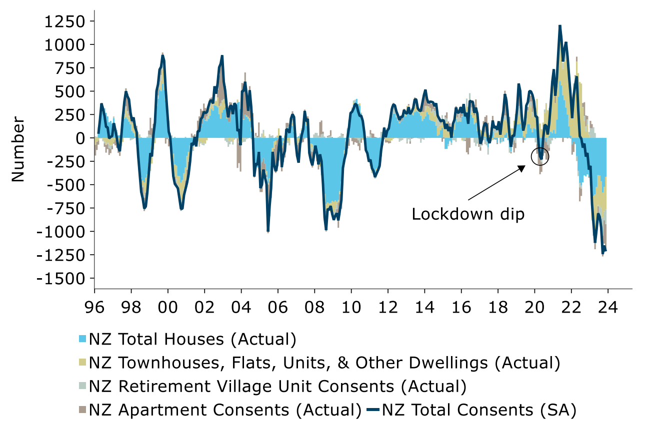
Figure 2. Consents by region



Source: Stats NZ, Macrobond, ANZ Research

Recent land-use changes have allowed apartments and townhouses to be built in more places, but it takes time for developers to plan buildings that fully utilise the new rules and for builders to tool-up to build these new larger dwellings, which can require more robust materials and different construction techniques from single story, standalone family homes. Despite the shift in zoning rules, consents have fallen across all building categories (figure 3), as easing supply constraints have not been enough to offset weakening demand, even for townhouses and apartments. Policy uncertainty around how the new Government will amend the Medium Density Residential Standards (MDRS) is also encouraging some developers to hold off progressing construction for some of these larger dwelling complexes.

Figure 3. Annual change in consents by dwelling type

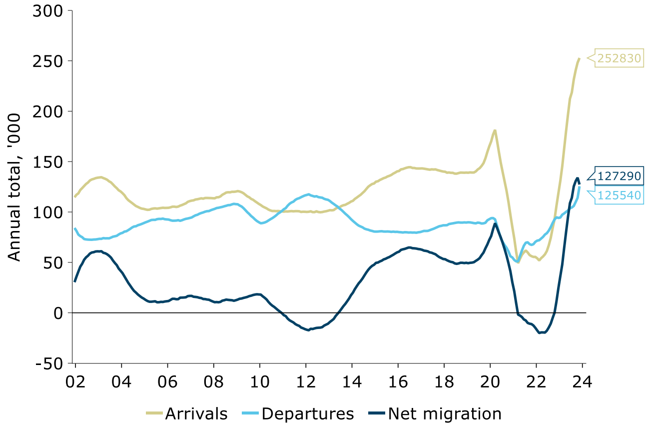


Source: Stats NZ, Macrobond, ANZ Research

…but there's a lot more people

The construction bust can't carry on forever. The clock is ticking to appropriately house the nearly 130,000 new net migrants that are estimated to have come to New Zealand in the past year (figure 4).

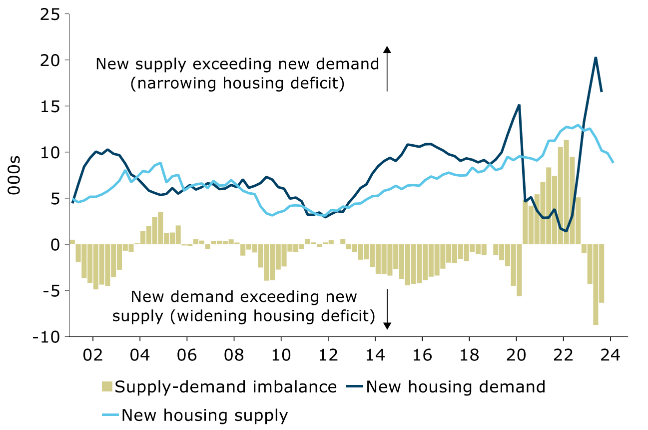
Figure 4. New Zealand migration



Source: Stats NZ, Macrobond, ANZ Research

New Zealand continued building at a solid rate while the border was shut, which has eased housing shortages compared to pre-pandemic, but we are now eating into the net housing supply at a rapid clip (figure 5). Weak building activity is unlikely to be sustainable long term, given we are building far less homes than are required to support record population growth.

Figure 5. Change in the net housing shortfall

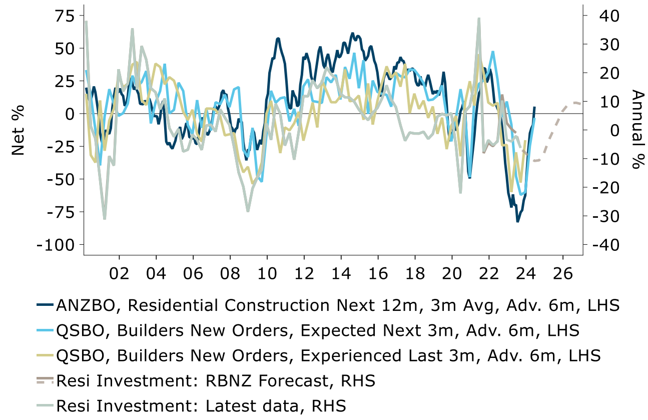


Source: Stats NZ, Macrobond, ANZ Research

We've seen the bust; here comes the recovery?

While consents have continued to fall, the underlying economic drivers are improving, which should see the construction activity turn around in time. Labour and materials are easier to find, house prices have bottomed out and mortgage rates have begun falling. The turnaround means builders are feeling much more optimistic about the future (figure 6), which historically has been a good indicator of whether construction activity is likely to pick up.

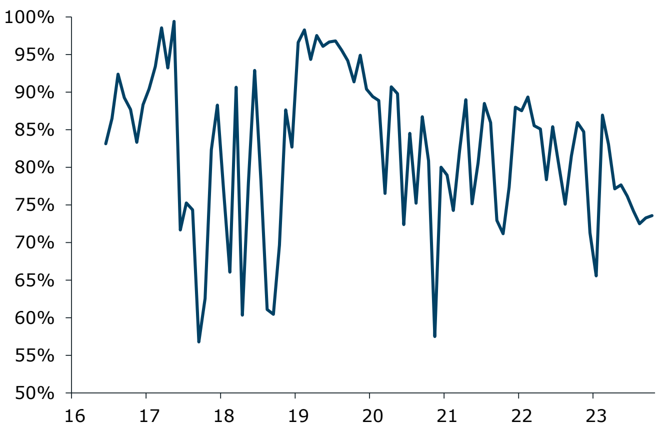
Figure 6. Survey construction indicators vs. RBNZ residential investment forecast



Source: RBNZ, Stats NZ, Macrobond, ANZ Research

Even if consents don't recover in a hurry, there's now a pipeline of unfinished (or unstarted!) projects that can be completed without waiting for the planning and consenting process. Many new building projects have been delayed or cancelled in recent years, as high costs and falling house prices have taken their toll (figure 7). As some of these projects become more viable, new or existing owners are likely to begin construction work on pre-existing consents, which could result in quicker rebound than consent issuance itself would suggest is likely.

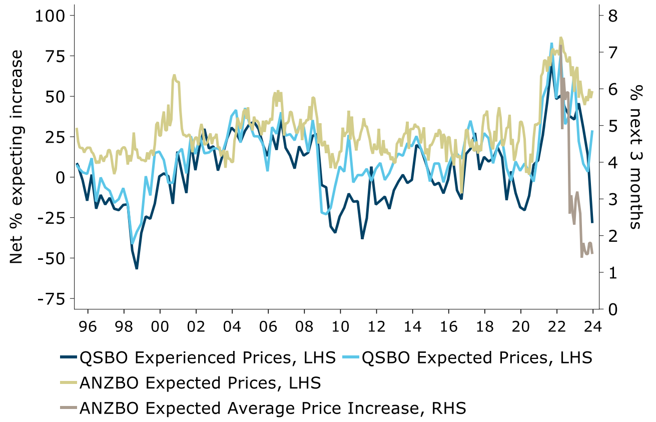
Figure 7. Auckland Council completion rate



Source: Auckland Council, ANZ Research

Construction is also likely to be buoyed by plummeting construction cost inflation (figure 8), which is making it easier to make the maths work. Construction experienced some of the most extreme inflation of any part of the CPI over the last two years as the house price bubble combined with acute shortages (remember when the lack of supply of GiB was front page news), and severe shortages of skilled tradies. We expect some unwind as these acute shortages ease, which will make it more affordable to build new homes.

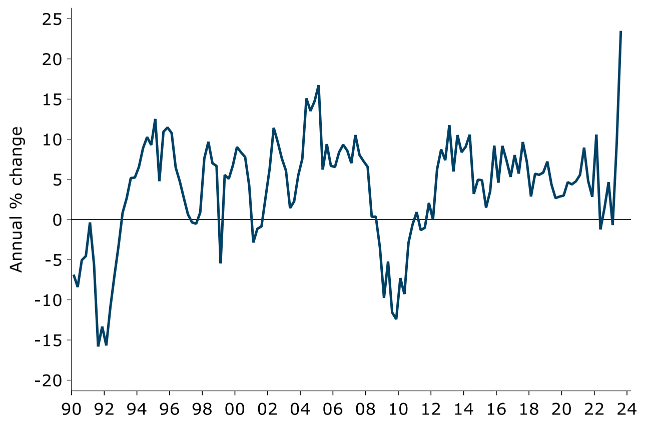
Figure 8. Survey construction sector price indicators



Source: NZIER, Macrobond, ANZ Research

We've also seen the fastest ever increase in the size of the construction workforce, with an additional 41,000 employees joining the sector over the past year, a 23% y/y increase! (figure 9). It won't all be residential building, of course, but firms won't have hired all those extra employees for them to sit around doing nothing, so it's entirely possible a strong recovery in building activity is underway, albeit not as dramatic as this chart suggests. Some of that will be relieving pent-up demand while the border was closed.

Figure 9. Filled jobs in the construction industry



Source: Stats NZ, Macrobond, ANZ Research

Beware construction-driven inflation

Construction booms can cause extra inflation, particularly in the non-tradable components that the RBNZ worries will keep inflation high. The falls in construction and consents to date have helped to moderate inflation so far, but if the early indicators of a rebounding construction sector above come true, there could be more domestically generated inflation to come (figure 10).

Figure 10. Housing inflation

Source: Stats NZ, Macrobond, ANZ Research

The RBNZ is relying on a prolonged slowdown in residential construction as part of their plan to bring down domestic inflation, and the risk is that the slowdown has been sharper in the rear-view mirror, but wasn't as prolonged as the RBNZ was relying on to cure New Zealand of the inflation infection.

Zooming out, the broader economy is cooling, with a weak economy last year and rising unemployment. We don't expect further OCR increases, but if they come about later this year, a booming construction sector is a likely culprit.

Mortgage borrowing strategy

This is not financial advice about any product or service. The opinions and research contained in this document are provided for information only, are intended to be general in nature and do not take into account your financial situation or goals. Please refer to the Important Notice.

Summary

Mortgage rates are either unchanged or slightly lower this month. Falls seen in carded rates haven't been particularly large, but they are noticeable and represent a welcome change for borrowers after a year of steady increases. The catalyst has been the turnaround in wholesale interest rates as markets look for OCR cuts later in the year. While we can't rule out a further OCR hike from the RBNZ (things are going their way, but perhaps not quickly enough), at this point that's not our central scenario; we are forecasting cuts starting in August. While the prospect of OCR cuts points to progressively lower mortgage rates over time (which we have incorporated into our projections), if there is a word of caution, it is that financial markets may have gotten a little ahead of themselves, which in turn, suggests that mortgage rate cuts seen this month may not be repeated in the immediate months ahead. But there are reasons to be more confident that rates are likely to be lower in a year's time, and that may be enough to deter borrowers from fixing for longer. Managing risks is always key though, and one way to do so is to spread borrowing over several terms.

Most borrowers will welcome the news that average mortgage rates have either stayed the same or fallen in January, bringing an end to 2023's string of steady increases. Moves haven't been large, and have come in the absence of OCR cuts, but for terms around 2 years and beyond, it's not where the OCR is that matters, but rather where wholesale markets think the OCR is heading. And falls in mortgage rates seen this month have been driven by exactly that: widespread expectations in financial markets that the next move in the OCR will be lower. While we aren't prepared to write off the possibility of another hike or two (the RBNZ might have no choice if inflation remains sticky), at this point, we think odds are higher that the next move is indeed a cut, and we're forecasting that to start in August. Things are fluid and data-dependent, but even so, markets have raced ahead and priced in cuts starting even earlier. That's what delivered lower mortgage rates this month, but that could be it for a few months, especially if the RBNZ clings to its erstwhile tone for a little longer.

But stepping away from the near-term outlook and discounting lower-probability outcomes (like more OCR hikes), the big picture is one of gradually lower mortgage rates. That's a similar picture to the one we painted in this column last month, and as such, regular readers won't be surprised that the arguments for fixing for shorter (with a view to re-fixing later at a lower rate) look more compelling than they did for most of last year. That doesn't mean borrowers should ignore upside risks (don't forget that core inflation is still sitting around 4-4.5%, and domestic inflation was 5.9% in 2023), but our forecast is that the OCR has peaked, and borrowers who share our view might be more inclined to fix for a shorter term.

Breakeven analysis asks how far rates need to move for one strategy – say 1yr – to be better than, say 2yrs. We generally read the results with an eye on our projections, and as in recent months, breakevens tend to be above those. Taking our projections as gospel, that suggests that fixing for a shorter period would be cheaper in the long run. This month, for example, we note that fixing for 2 years at 6.89% will only be cheaper than fixing for 1 year and then re-fixing for another year if the 1yr rate falls below 6.40% in a year's time. Given the current average 1yr mortgage rate is 7.38%, expecting it to fall by a little over one percentage point may seem like a big ask, but our projections have them falling further (to nearer 6%). But as noted, there are still upside risks, so borrowers need to be confident in their fixing decisions. Fixing for shorter offers less time certainty, and is thus riskier by nature. Borrowers can always spread their risk over several terms – that rules out completely nailing it, but it also rules out the worst-case scenario should the unexpected happen.

Figure 1. Carded special mortgage rates^

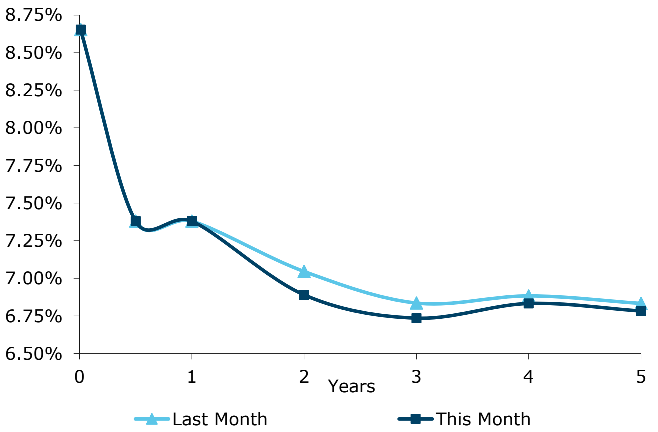


Table 1. Special Mortgage Rates#

		Breakevens for 20%+ equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	8.65%				
6 months	7.38%	7.38%	6.69%	6.11%	6.50%
1 year	7.38%	7.04%	6.40%	6.31%	6.43%
2 years	6.89%	6.67%	6.41%	6.51%	6.78%
3 years	6.74%	6.68%	6.65%	6.64%	6.71%
4 years	6.83%	6.74%	6.63%		
5 years	6.78%	#Average of "big four" banks			

Source: interest.co.nz, ANZ Research.

Key forecasts

Weekly mortgage repayments table (based on 30-year term)

2Mortgage Size ($000)	Mortgage Rate (%)													
	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75
200	262	269	277	284	292	299	307	315	323	330	338	347	355	363
250	327	336	346	355	364	374	384	393	403	413	423	433	443	454
300	393	404	415	426	437	449	460	472	484	496	508	520	532	544
350	458	471	484	497	510	524	537	551	564	578	592	606	621	635
400	524	538	553	568	583	598	614	629	645	661	677	693	709	726
450	589	606	622	639	656	673	690	708	726	744	762	780	798	816
500	655	673	691	710	729	748	767	787	806	826	846	866	887	907
550	720	740	760	781	802	823	844	865	887	909	931	953	975	998
600	786	807	830	852	875	897	921	944	968	991	1,015	1,040	1,064	1,089
650	851	875	899	923	947	972	997	1,023	1,048	1,074	1,100	1,126	1,153	1,179
700	917	942	968	994	1,020	1,047	1,074	1,101	1,129	1,157	1,185	1,213	1,241	1,270
750	982	1,009	1,037	1,065	1,093	1,122	1,151	1,180	1,209	1,239	1,269	1,299	1,330	1,361
800	1,048	1,077	1,106	1,136	1,166	1,197	1,227	1,259	1,290	1,322	1,354	1,386	1,419	1,452
850	1,113	1,144	1,175	1,207	1,239	1,271	1,304	1,337	1,371	1,404	1,438	1,473	1,507	1,542
900	1,178	1,211	1,244	1,278	1,312	1,346	1,381	1,416	1,451	1,487	1,523	1,559	1,596	1,633
950	1,244	1,278	1,313	1,349	1,385	1,421	1,458	1,495	1,532	1,570	1,608	1,646	1,685	1,724
1000	1,309	1,346	1,383	1,420	1,458	1,496	1,534	1,573	1,613	1,652	1,692	1,733	1,773	1,814

Mortgage rate projections (historic rates are special rates; projections based on ANZ's wholesale rate forecasts)

	Actual			Projections						
Interest rates	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Floating Mortgage Rate	8.5	8.6	8.6	8.6	8.6	8.4	7.9	7.7	7.2	6.7
1-Yr Fixed Mortgage Rate	6.9	7.2	7.3	7.4	6.8	6.4	6.1	5.9	5.9	5.9
2-Yr Fixed Mortgage Rate	6.5	6.9	7.0	6.9	6.6	6.3	6.2	6.0	6.0	6.0
3-Yr Fixed Mortgage Rate	6.3	6.7	6.8	6.7	6.6	6.4	6.2	6.1	6.1	6.1
5-Yr Fixed Mortgage Rate	6.3	6.5	6.7	6.8	6.7	6.5	6.4	6.4	6.4	6.4

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
GDP (Annual % Chg)	2.1	1.5	-0.6	0.0	0.4	0.1	0.7	1.1	1.3	1.6
CPI Inflation (Annual % Chg)	6.7	6.0	5.6	4.7(a)	4.1	3.4	2.5	2.3	2.1	2.3
Unemployment Rate (%)	3.4	3.6	3.9	4.3	4.7	4.8	4.9	5.1	5.1	5.2
House Prices (Quarter % Chg)	-2.5	0.0	1.5	0.3(a)	0.0	0.0	0.6	1.4	1.3	1.2
House Prices (Annual % Chg)	-13.6	-10.6	-5.0	-0.7(a)	1.8	1.8	0.8	2.0	3.3	4.6

Interest rates	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Cash Rate	5.50	5.50	5.50	5.50	5.50	5.25	4.75	4.50	4.00	3.50
90-Day Bank Bill Rate	5.71	5.74	5.64	5.52	5.18	4.68	4.40	3.97	3.75	3.83
10-Year Bond	4.62	5.31	4.32	4.75	4.50	4.25	4.00	3.75	3.75	3.75

Source: ANZ Research, Statistics NZ, RBNZ, REINZ

Contact us

Meet the team

We welcome your questions and feedback. Click here for more information about our team.

Sharon Zollner
Chief Economist

Follow Sharon on Twitter
@sharon_zollner

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
@ANZ_Research (global)

David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com

Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com

Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, economic developments, GDP and activity dynamics, fiscal and monetary policy.

Telephone: +64 21 661 792
Email: miles.workman@anz.com

Henry Russell
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: henry.russell@anz.com

Andre Castaing
Economist

Macroeconomic forecasting, economic developments, housing and monetary policy.

Telephone: +64 21 199 8718
Email: andre.castaing@anz.com

Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com

Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com

Important notice

Last updated: 18 April 2023

The opinions and research contained in this document (which may be in the form of text, image, video or audio) are (a) not personal financial advice nor financial advice about any product or service; (b) provided for information only; and (c) intended to be general in nature and do not take into account your financial situation or goals.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared by ANZ Bank New Zealand Limited (ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand). This document is distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**), a company incorporated in Australia or (if otherwise stated), by its subsidiary or branch (herein collectively referred to as **ANZ Group**). The views expressed in this document are those of ANZ Economics and Markets Research, an independent research team of ANZ Bank New Zealand Limited.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ Group to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ Group would be subject to additional licensing or registration requirements. Further, any products and services mentioned in this document may not be available in all countries.

ANZ Group in no way provides any personal financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ Group does not represent or warrant the accuracy or completeness of the information, except with respect to information concerning ANZ Group. Further, ANZ Group does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ Group does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. Any products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ Group expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (**Liability**) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ Group may have an interest in the subject matter of this document. They may receive fees from customers for dealing in any products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in any products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products.

This document is published in accordance with ANZ Group's policies on conflicts of interest and ANZ Group maintains appropriate information barriers to control the flow of information between businesses within the group.

Your ANZ Group point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please click here or request from your ANZ point of contact.

Brazil. This document is distributed on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this document, and no securities have been and will not be registered with the Securities Commission - CVM.

Brunei, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. The information contained in this document is confidential and is provided solely for your use upon your request.

This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

Canada. This document is general information only, is intended for institutional use only – not retail, and is not meant to be tailored to the needs and circumstances of any recipient. In addition, this document is not intended to be an offer or solicitation to purchase or sell any security or other financial instrument or to employ a specific investment strategy.

Chile. You understand and agree that ANZ is not regulated by Chilean Authorities and that the provision of this document is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice.

Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This document is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Israel. ANZ is not a holder of a licence granted in Israel pursuant to the Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 1995 ("Investment Advice Law") and does not hold the insurance coverage required of a licensee pursuant to the Investment Advice Law. This publication has been prepared exclusively for Qualified Clients as such term is defined in the First Schedule to the Investment Advice Law. As a prerequisite to the receipt of a copy of this publication a recipient will be required to provide confirmation and evidence that it is a Qualified Client. Nothing in this publication should be considered Investment Advice or Investment Marketing as defined in the Investment Advice Law. Recipients are encouraged to seek competent investment advice from a locally licensed investment adviser prior to making any investment.

Macau. Click here to read the disclaimer for all jurisdictions in Mandarin. **澳门.** 点击此处阅读所有司法管辖区的免责声明的中文版。

Myanmar. This document is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This document is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

Important notice

New Zealand. This document is distributed in New Zealand by ANZ Bank New Zealand Limited. The material is for information purposes only and is not financial advice about any product or service. We recommend you seek advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman (**CBO**) or Oman's Capital Market Authority (**CMA**). The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. So, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Peru. The information contained in this document has not been, and will not be, registered with or approved by the Peruvian Superintendency of the Securities Market (Superintendencia del Mercado de Valores, **SMV**) or the Lima Stock Exchange (Bolsa de Valores de Lima, **BVL**) or under the Peruvian Securities Market Law (Legislative Decree 6 861), and will not be subject to Peruvian laws applicable to public offerings in Peru. To the extent this information refers to any securities or interests, it should be noted the securities or interests may not be offered or sold in Peru, except if (i) such securities or interests were previously registered with the Peruvian Superintendency of the Securities Market, or (ii) such offering is considered a private offering in Peru under the securities laws and regulation of Peru.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar, and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC.

The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. To the extent that this document contains any statements of opinion and/or recommendations related to an investment product or class of investment product (as defined in the Financial Advisers Act 2001), this document is distributed in Singapore by ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act 2001 of Singapore). ANZ is licensed in Singapore under the Banking Act 1970 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act 2001 of Singapore. In respect of any matters arising from, or in connection with, the distribution of this document in Singapore, please speak to your usual ANZ contact in Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (**DIFCML**) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

United Kingdom. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited (**ANZ**) solely for the information of persons who would come within the Financial Conduct Authority (**FCA**) definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ considers this document to constitute an Acceptable Minor Non-Monetary Benefits (**AMNMB**) under the relevant inducement rules of the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use our website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use our website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is a FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.