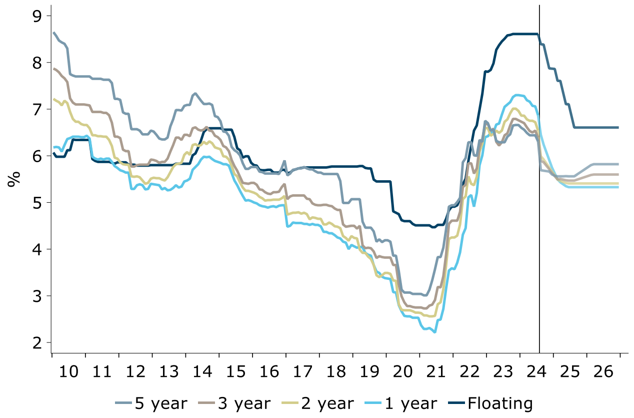
New Zealand Property Focus

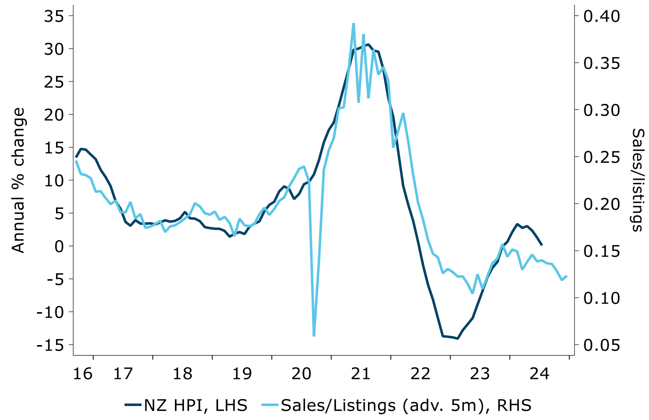
Kicking off into the wind

At a glance

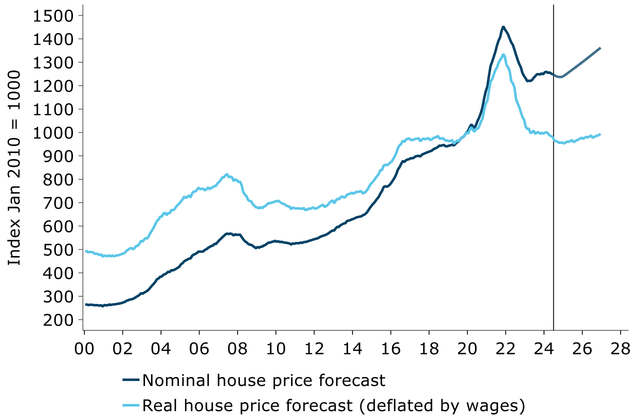
The RBNZ has kicked off its easing cycle; mortgage rates are falling…



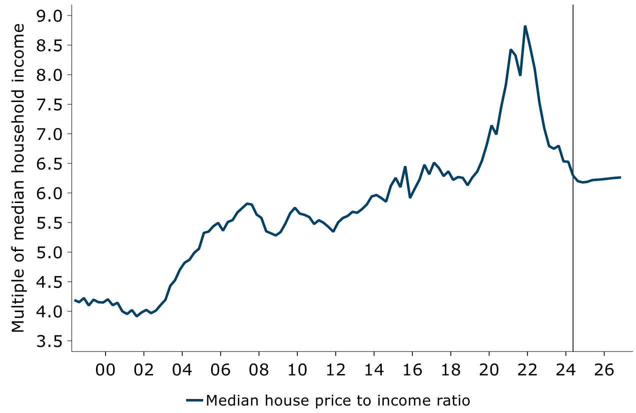
…but downward momentum in the market will take time to overcome



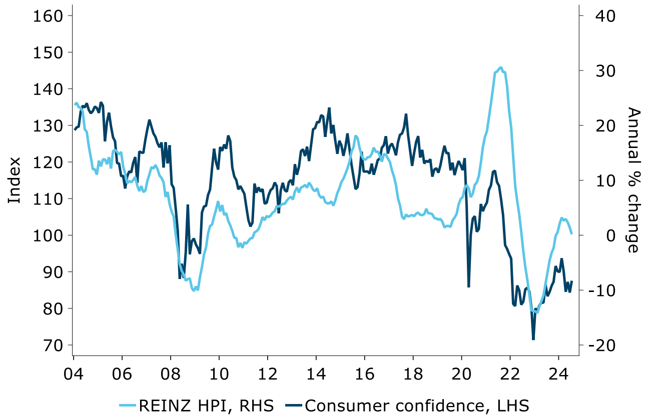
A gradual recovery over 2025 is expected…



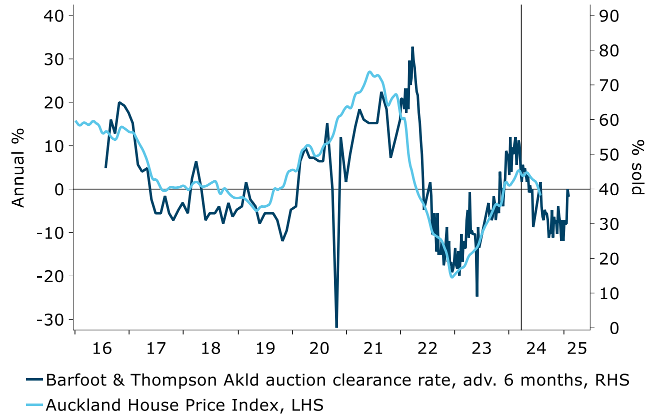
…but with outsized gains unlikely given affordability constraints



How quickly confidence will return is uncertain…



…though auction clearance data hints at possible green shoots.



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

Contact

Henry Russell,
Sharon Zollner, or
David Croy for more details.

See page 12

INSIDE

ISSN 2624-0629

Publication date: 28 August 2024

Summary

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

Property Focus

The housing market continued to weaken in July, with the REINZ House Price Index falling 0.6% m/m. Subdued sales over recent months and rising listings on the market suggest weakness is likely to persist in the near term, with prices likely to correct further to clear the backlog of supply. But a lot has happened in the past month that makes the July market snapshot feel like ancient history. With the RBNZ kickstarting its easing cycle this month, and mortgage rates having already responded, we expect dynamics in the market to shift later this year, with a recovery in house prices over 2025. Our updated projections show mortgage rates falling to around the level that prevailed in the middle of last decade. Mortgage rates are an important driver of the housing market, but they aren't the only driver. There's still plenty of strong headwinds facing the market. We compare the current landscape to the conditions that prevailed back in 2015, highlighting that risks to the housing market certainly aren't one-sided. See the Property Focus section.

Mortgage Borrowing Strategy

Mortgage rates are lower across the board again this month, with the median rate across the five largest banks falling between 0.4% and 0.7% for terms 1yr and longer. While the Reserve Bank only cut the OCR by 0.25%, their projections indicated a steadily declining OCR over coming years, and that drove wholesale swap rates to fall further, taking mortgage rates with them. We expect mortgage rates to continue falling steadily from here, and as such, we would urge caution when considering fixing for longer terms so early in the monetary policy easing cycle. Longer rates are cheaper and are worth considering for that reason alone. However, our breakeven analysis shows that short-term rates don't need to fall by much to make it cheaper over time to roll successive short-term fixes. At this early stage in the cycle, it's still worth considering fixing for a shorter term and revisiting your options when that matures. Spreading risk over several terms also still makes sense, especially since longer terms are cheaper. See our Mortgage Borrowing Strategy.

Property Focus

Summary

The housing market continued to weaken in July, with the REINZ House Price Index falling 0.6% m/m. Subdued sales over recent months and rising listings on the market suggest weakness is likely to persist in the near term, with prices likely to correct further to clear the backlog of supply. But a lot has happened in the past month that makes the July market snapshot feel like ancient history. With the RBNZ kickstarting its easing cycle this month, and mortgage rates having already responded, we expect dynamics in the market to shift later this year, with a recovery in house prices over 2025. Our updated projections show mortgage rates falling to around the level that prevailed in the middle of last decade. Mortgage rates are an important driver of the housing market, but they aren't the *only* driver. There's still plenty of strong headwinds facing the market. We compare the current landscape to the conditions that prevailed back in 2015, highlighting that risks to the housing market certainly aren't one-sided.

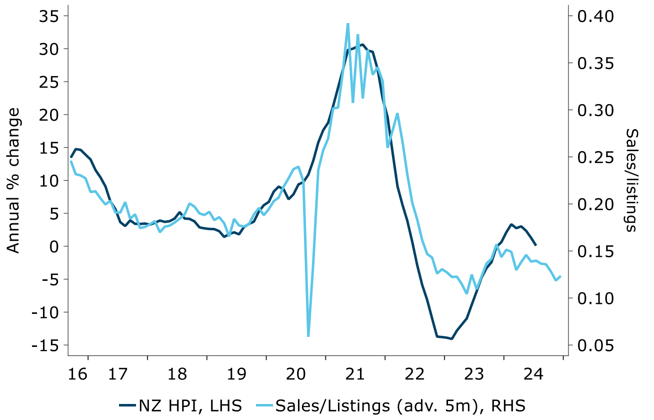
Kicking off into the wind

The REINZ House Price Index fell 0.6% m/m in July, a slightly larger fall than we'd expected. With sales failing to keep pace with listings, recent downward momentum is likely to continue in the coming months, taking house prices lower. That said, there's been some important developments in recent weeks that make these data feel like ancient history. After the RBNZ began its easing cycle with a 25bp cut in the OCR to 5.25% this month, and signalled there's more to come, risks to the outlook have shifted.

Our base case is for the OCR to be cut steadily to 3.50% in Q3 2025. But despite mortgage rates having already fallen significantly and looking likely to remain on a downward trajectory for some time, a meaningful recovery in the housing market certainly isn't a given. After all, interest rates are falling earlier than expected because broad economic conditions have deteriorated more than anticipated (increasing the RBNZ's confidence that CPI inflation will return sustainably to the 2% target midpoint). That's flowing through to a weakening labour market, with unemployment on the rise. And given the labour market lags the broader economy, that's set to continue for some time, potentially weighing on prospective home buyers' confidence to borrow and invest.

Interest rates are an important driver of the housing market, but they aren't the *only* driver. There are some clear tailwinds: population growth for one, and tax changes (eg the restoration of the tax deductibility of interest on an investment property) for another. But in the near term, there is plenty of downward momentum to overcome before the market can recover. House prices fell in July for a third consecutive month, and given supply (rising listings) and demand (weak sales) are still at odds, that dynamic is likely to continue for a few months yet (figure 1).

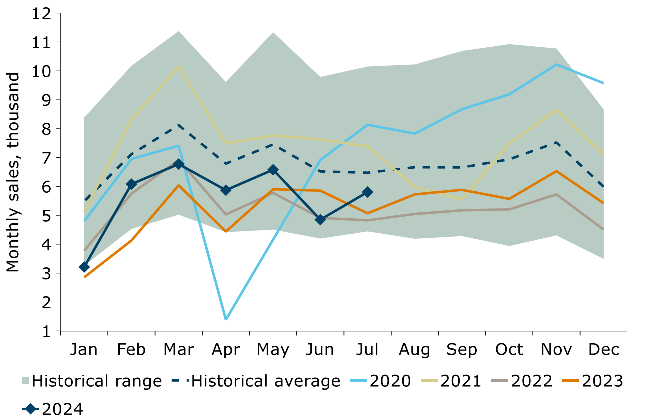
Figure 1. Sales to listing ratio



Source: REINZ, realestate.co.nz, Macrobond ANZ Research

On the demand side, sales volumes rose 7.8% m/m when seasonally adjusted (sa) in July, though that followed a 7.3% m/m (sa) fall in June. When they were initially reported, June sales volumes were the second-lowest level for that time of year since the data began in the early 1990s, but in the July release the level was revised significantly higher. But despite the upward revision and bounce in July, sales activity remains subdued when compared to history (figure 2). And on a 3-month moving average basis, sales volumes have fallen 7.5% q/q. So we're not reading too much into the bounce at this stage.

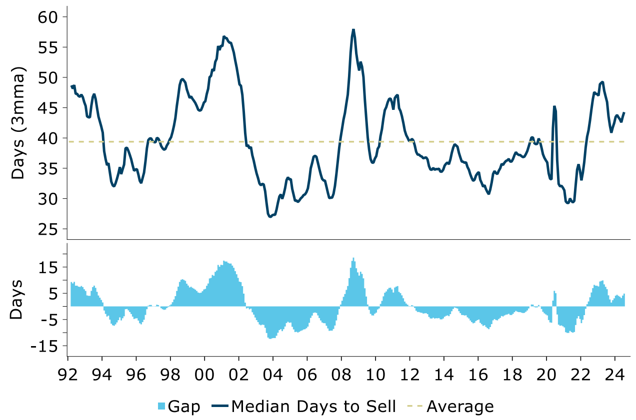
Figure 2. Unadjusted sales versus range from 1992



Source: REINZ, Macrobond, ANZ Research

The power sits with buyers currently. Weak sales activity means the number of listings on the market is rising, and houses are taking longer to sell. The number of properties on the market rose further in July and is at its highest level in nearly a decade, while the numbers of days it's taking to sell a property lifted by 1 to 46, well above the long-run average of 39 days (figure 3). At face value, these data suggest price pressures will remain subdued for a while yet. Anecdotes and surveys suggest that sellers are indeed getting more realistic about what their property is worth.

Figure 3. Days to sell vs long run average



Source: REINZ, Macrobond, ANZ Research

It remains uncertain how quickly not just the housing market but also the economy more broadly will respond to lower interest rates. Weakness across high-frequency indicators in recent months has signalled the economy is experiencing a deeper slowdown than previously thought. These data ultimately were what convinced the RBNZ Monetary Policy Committee to cut the OCR in August, a full year earlier than they had signalled just three months earlier. But monetary policy transmission takes time, and the economy's gradual return to growth isn't likely to be evident until 2025. That said, the housing market is one of the first parts of the economy that will respond to lower interest rates, and thus will provide an important gauge on how quickly the broader economy might bounce back.

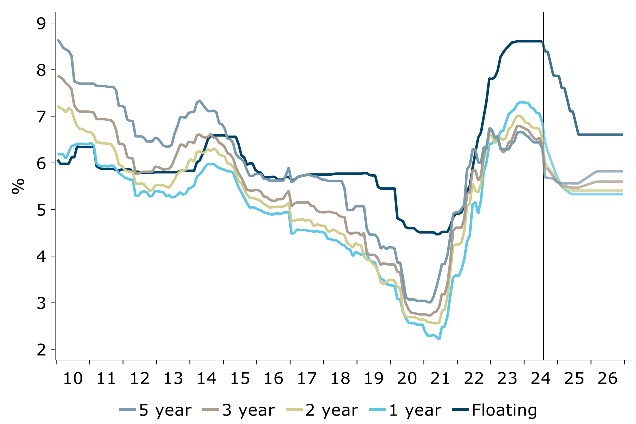
The outlook for mortgage rates

Interest rates have only just started falling and remain restrictive overall, but there's still plenty of adjustment to occur over the next year. So, what does that mean for mortgage rates? We suspect that's the question on a lot of people's lips, so in what follows, we discuss some of the drivers and refresh our mortgage rate projections. As a reminder, we refer to them as 'projections' rather than 'forecasts', as they are by necessity based on fixed assumptions about things that in reality are likely to keep changing in unforecastable ways. That makes them trickier to forecast than wholesale rates (noting that ANZ Research independence means we don't have any input into the setting of retail mortgage rates). Still, we can make educated assumptions about where they are headed based on our wholesale interest rate forecast, observed margins, and the behaviour of other inputs like deposit rates.

Deposits are an important source of funding for banks, and because term deposit rates tend to be stickier and hold up for longer than wholesale rates, that has a bearing on how quickly mortgage rates might fall. We note, for example, that while 2-year swap rates are around 200bp off their late 2023 highs, the median term deposit rate for the same term across the five main banks is only around 105bp lower, which is a similar-sized fall to what has been seen in 2-year special mortgage rates.

Bearing all that in mind then, what do our projections say, based on our new forecast of a steady run of RBNZ OCR cuts of 25bp at every meeting (bearing in mind of course that this forecast itself is a stake in the ground, not a 6-metre-deep concrete pile)? As figure 4 shows, our projections point to all fixed mortgage rates dipping below 6% by the end of the year, with bigger falls in 1- and 2-year rates, which we project to settle below 5½%. Most of this is driven by lower wholesale rates, which are expected to fall gradually as OCR cuts are delivered. The 1-2 year point is also the part of the curve where competition tends to be the most vigorous, and where margins have historically been tighter.

Figure 4. Mortgage rate projections



Source: RBNZ, Bloomberg, Macrobond, ANZ Research

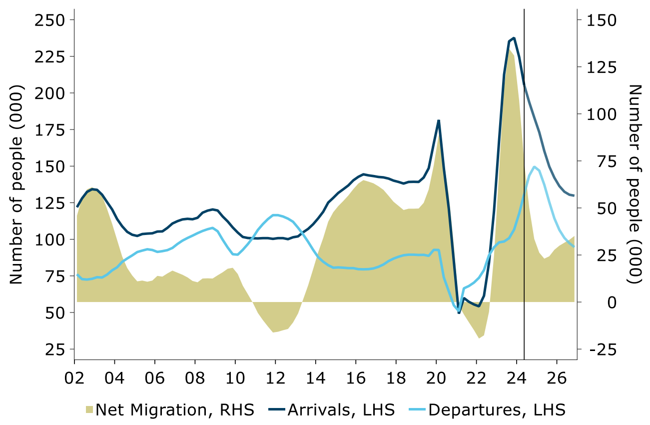
When were mortgage rates last at these levels?

Our projections suggest that mortgage rates will fall to around the levels that prevailed in the middle of last decade. Looking back to how the housing market performed at that time offers some useful comparisons and an important reminder that interest rates are just one part of the story. Economic momentum, policy settings and confidence were all in a very different place back then.

Back in 2015, the housing market was booming. Annual house price inflation peaked at over 18% in August that year. At the time, the housing market was largely dancing to its own beat, as economic momentum was softening (driven largely by a sharp deterioration in the terms of trade, and a flattening off in rebuild activity following the Canterbury earthquake, rather than weak household confidence). The broader economy certainly wasn't booming, but nor was it experiencing a significant downturn like we are today. So, one might draw from that that mortgage rates at those levels can (and have) enabled – or at least not curtailed – strong price momentum. But there are some other important differences between now and then that are likely to reduce the scope for a strong bounce. Let's go through them.

One of the drivers of housing market momentum back in 2015 was a surge in **net migration inflows**. Annual net migration inflows were around 50-60k in 2015 (0.3% of total population) and remained robust over the following years. While that was around record highs at the time, it is much lower than what we've seen in the past 12 months. In the year to June 2024, annual net migration inflows were 78k (0.35% of total population), but migration inflows are now cooling rapidly (figure 5).

Figure 5. Annual net migration forecast

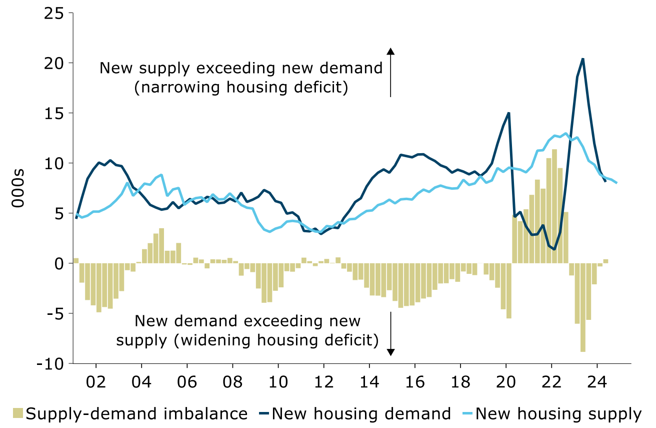


Source: Stats NZ, Macrobond, ANZ Research

With the labour market continuing to weaken, arrivals into the country are easing, while departures continue to surge, skewed towards younger adults who might otherwise be looking to enter the housing market. We're expecting annual net migration inflows to fall sharply over the coming months, to around 25k by the end of next year. That suggests a much weaker demand impulse ahead for housing. That said, while migration inflows have been at record high levels in the past 12 months (peaking at an annual inflow of nearly 137k in October last year), house price momentum has been subdued over that period.

This migration cycle has skewed more toward younger and low-skilled workers, who are less likely to enter the property market, while the foreign buyer ban implemented in 2018 also means net migration is likely to be less significant as a direct driver of house prices than it was in prior cycles.

Figure 6. Estimated housing shortfall



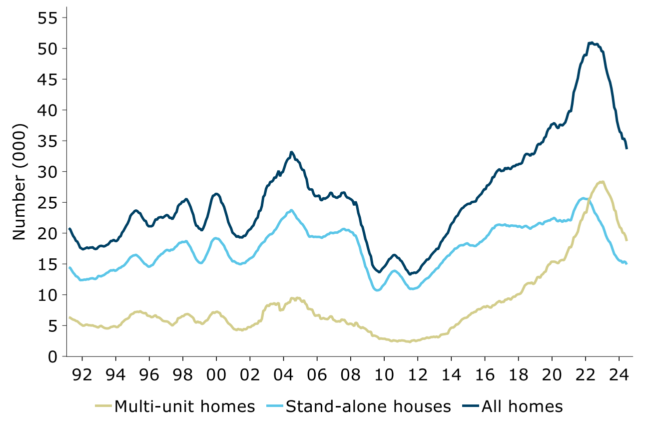
Source: Stats NZ, Macrobond, ANZ Research

The relatively smaller impact of net migration on house prices over the past couple of years likely also reflect changes in the **supply-demand imbalance**. The surge in net migration following the reopening of the border from mid-2022 followed a period of very weak population growth through the pandemic, and a surge in construction activity fuelled by ultra-low interest rates and macroprudential policy settings that favoured buying new houses. Through the pandemic years, the estimated housing deficit narrowed significantly as a result, and while that has reversed as high interest rates have weighed heavily on construction activity, the slowdown hasn't yet offset the period of supply expansion (figure 6).

Comparatively, back in 2015 New Zealand's housing deficit had been widening for many years as construction activity had only gradually recovered following the Global Financial Crisis, despite being supported by rebuild activity following the 2010-11 Christchurch earthquakes (that was predominately replacing damaged stock, rather than adding new supply), adding upward pressure to prices. The muted response of supply over the preceding years, which was a major policy issue at the time (and still is), had culminated in a significant demand imbalance and upward pressure on prices.

Back in the present, while residential building consents have fallen sharply, that's only just unwound the COVID surge, with annual consents issuance sitting around 2019 levels (figure 7). That said, construction activity is likely to continue to slow into 2025, worsening the housing shortfall and putting upward pressure on prices further down the line after the pipeline of new supply dries up. The ongoing shortfall in housing supply underpins our medium-term forecast and has been a key driver of the unsustainable trend in house prices over the past few decades.

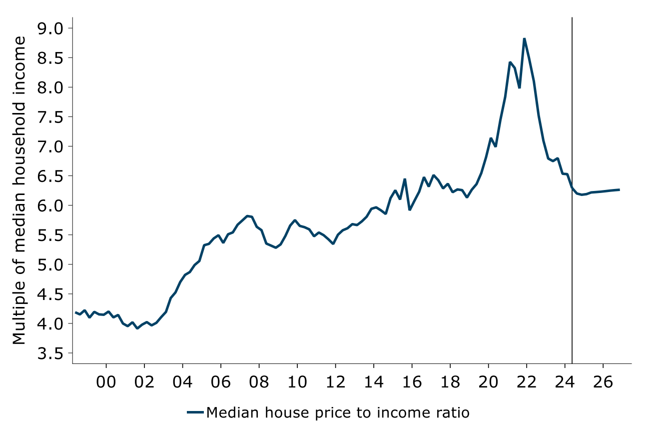
Figure 7. Annual building consents



Source: Stats NZ, Macrobond, ANZ Research

Worsening **housing affordability** over the past few decades has been pushing against that trend. Compared to 2015, housing affordability is roughly on par with where it is now, with the median house to income ratio currently around 6 (figure 8). Back then, affordability was also seen as a big constraint on further relative house price gains, and that's no different now. That said, the housing market can certainly surprise as it did through the COVID boom, when the median house price to income ratio shot up to over 9%! But it took record-low mortgage rates – and serviceability test rates – to enable people to borrow the sums required to push house prices that high. It's mathematically improbably to see a re-run of that now – even if rates did fall that far, as we will discuss shortly, the RBNZ's new debt-to-income limits would kick in and constrain things.

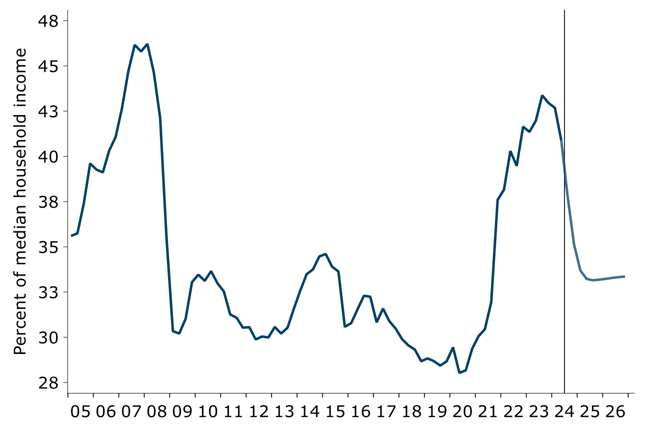
Figure 8. Median house price to income ratio



Source: Stats NZ, REINZ, Macrobond, ANZ Research

While prospective homebuyers still have to contend with taking on plenty of debt to get into the market, the **cost of servicing** will continue to ease as mortgage rates fall (figure 9). While things are getting better, in absolute terms housing remains very unaffordable, and we expect any significant upside to house prices to be constrained by that.

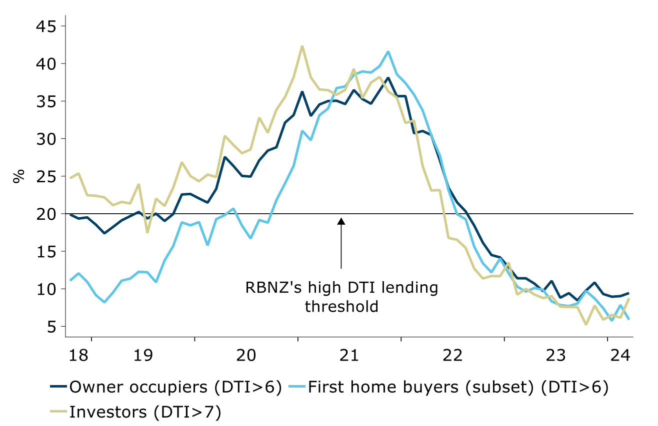
Figure 9. Debt servicing costs



Source: Stats NZ, RBNZ, Macrobond, ANZ Research

Credit conditions are also quite different to how they looked back in 2015. The implementation of debt to income (DTI) restrictions from 1 July this year is likely to dampen any large upside to house prices. For owner occupiers, banks are restricted to lending no more than 20% of their total owner occupier lending to those borrowing more than six times their income. And no more than 20% of investor lending can be to those borrowing more than seven times their income. While these limits are not yet binding (figure 10), they could kick in if falling interest rates were to see prices rebound sharply, as occurred during the COVID housing boom.

Figure 10. High DTI lending share of total

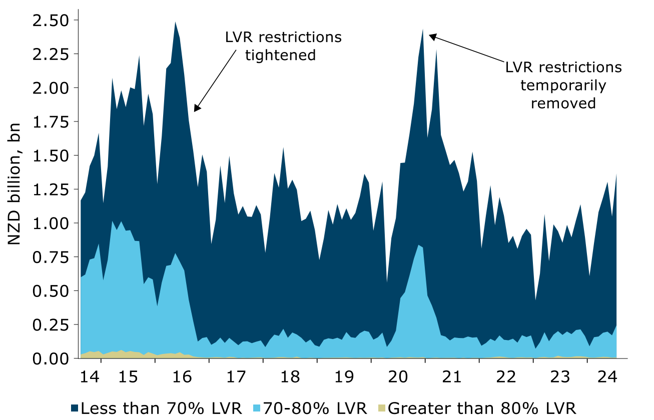


Source: RBNZ, Macrobond, ANZ Research

Back in 2015, loan to value (LVR) restrictions were also looser than they are now, particularly for investors. In fact, tighter LVRs were introduced near the end of 2015 in response to rapid increases in house prices, particularly in the Auckland market, which in part reflected increased investor activity. The RBNZ materially tightened LVR settings for investors in the Auckland market from late 2015, and then nationwide the following year (Figure 11). The regional implementation wasn't successful, as it just caused

Auckland investors to fan out into Northland, the Waikato and further afield. But once introduced nationwide, those changes contributed to a significant reduction in overall investor lending in the years that followed. Accompanying the introduction of DTI restrictions in July this year was a slight loosening in LVR settings, but overall they remain a constraint on investor activity. Anyone doubting the 'bite' of these macroprudential rules need only look at what happened when the RBNZ suspended them for 12 months when COVID hit, only to have to scramble to re-introduce them earlier than envisaged when the housing market took off in response to record-low interest rates.

Figure 11. Investor lending by LVR



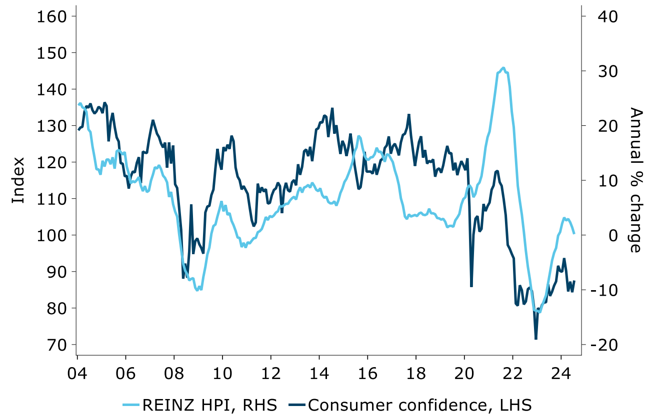
Source: RBNZ, REINZ, Macrobond, ANZ Research

That being said, there have been a raft of policy tweaks this year that, all else equal, increase the incentives for investors to enter the market. The Brightline test has been reduced from 10 years back to 2 years (as it was back when it was implemented from October 2015), while interest deductibility for residential property has been reinstated, though will not be fully restored until 1 April 2025 (currently 80% of interest costs are deductible). While those changes reflect a relative easing in policy settings, overall policy settings are still tighter than they were back in 2015.

In sum, while our mortgage rate projections show rates returning to around 2015 levels, the rest of the landscape is very different. And overall, there are plenty of reasons to think that the recovery in the house prices will be gradual. But the New Zealand housing market time and again manages to surprise. An important aspect of that, which we haven't yet discussed, is animal spirits. If upward momentum gets going, and the FOMO wave returns, that could see the housing market dance once again to its own beat, counter to what fundamentals imply.

But will a wave of confidence return quickly? There are plenty of headwinds facing households that seem likely to weigh on their willingness to invest. Consumer confidence paints a very grim picture of the mood across the country, remaining close to record lows over the past few years. Confidence and house prices tend to move together (figure 12), with causality running in both directions: given the vast majority of household wealth is in housing, changes in house prices affect confidence, just as confidence also affects demand, and prices in turn. However, since the fall in consumer confidence this time seems to have been driven by inflation, its consequences could also be different. It's 'broken' as an indicator for retail sales, for example, so we'd be cautious about drawing any strong signals for the housing market from it either.

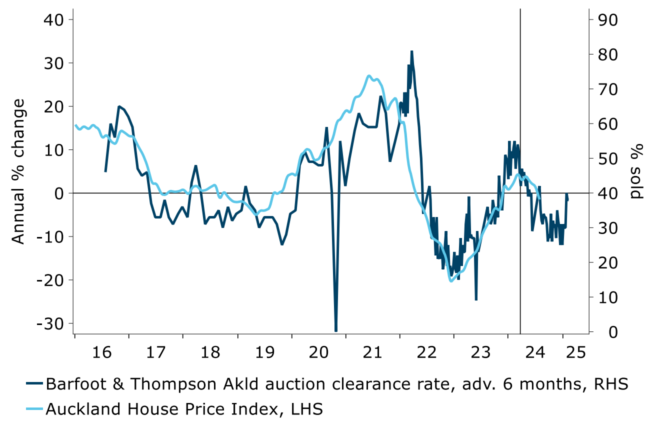
Figure 12. Consumer confidence and annual house price inflation



Source: Roy Morgan, REINZ Macrobond, ANZ Research

While it's very early days, one indicator hinting that the housing market might bounce back quickly is the Auckland auction clearance rate. These weekly data tend to provide an early steer on sales (which in turn lead changes in prices). In the past few weeks, following moves lower in interest rates, the auction clearance rate has bounced (figure 13).

Figure 13. Auckland auction clearance rate house prices

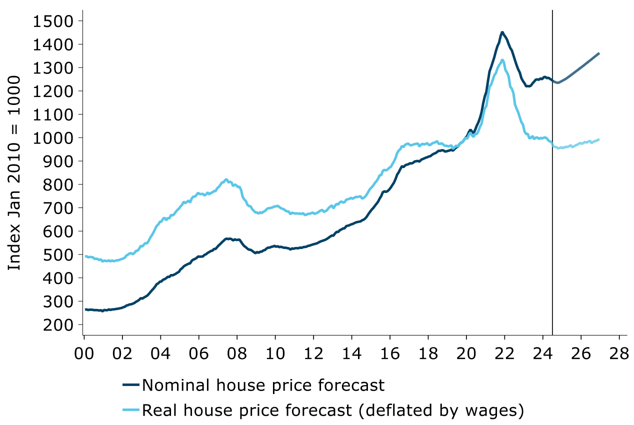


Source: B&T, interest.co.nz, REINZ, Macrobond, ANZ Research

In level terms it still implies a soft market, but nonetheless it saw a decent lift, which has been sustained over the past few weeks. It's certainly far too early to read much into that signal, but these data do hint at the possibility of a rebound.

Putting it all together, our house price forecast is unchanged. While July's data suggests fresh downside risk in the near term, with the RBNZ having started its easing cycle a little earlier than we'd expected, the odds of a recovery later this year and into 2025 have risen. We expect prices to stabilise around the end of the year and rise 4.5% over 2025 (figure 14). We see the risks as balanced around that forecast.

Figure 14. House price forecast



Source: REINZ, Stats NZ, Macrobond, ANZ Research

A stronger rebound certainly is a plausible scenario, especially if the housing market responds more aggressively to lower interest rates. Are there plenty of buyers out there, waiting for the bottom while prices are still falling? If momentum turns quickly, that could be self-reinforcing, seeing FOMO return and animal spirits captivate the market. And as construction activity continues to slow (even if the cutting cycle has begun), an increasing supply-demand imbalance will add upward pressure to prices over time. But there's plenty of reasons to suggest that any material upside will be constrained, given a broader economic momentum, slowing population growth, still-stretched affordability and the DTI restrictions in place.

On the flipside, how much weakness is still yet to flow through to the economy (and labour market) from past monetary policy tightening remains uncertain. If the economy is on the verge of a deeper slowdown, the road of recovery for the housing market could a more gradual one. One way or the other, the housing market is one to watch over the coming months.

Housing market indicators for July 2024 (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	$645,596	-6.0	-6.1	-3.1	-2.8	164	-5%	60
Auckland	$967,217	-4.1	-3.4	-2.5	-1.7	1,767	+12%	46
Waikato	$741,552	-0.2	-2.2	0.0	-1.2	567	+6%	55
Bay of Plenty	$810,974	-0.3	0.6	-0.2	-1.5	332	-1%	49
Gisborne	$596,485	2.1	0.4	-0.8	-1.0	42	+43%	45
Hawke's Bay	$675,330	0.0	-0.5	-0.8	-1.0	178	-4%	56
Manawatu-Whanganui	$534,614	-3.8	0.9	0.2	-0.1	262	+7%	53
Taranaki	$617,409	5.9	1.2	0.2	-0.8	128	-8%	53
Wellington	$806,264	4.4	1.0	-0.3	-1.1	605	+9%	41
Tasman, Nelson & Marlborough	$689,785	-4.2	-3.9			182	+2%	46
Canterbury	$659,409	-1.8	-0.2	4.0	0.5	992	+8%	38
Otago	$679,001	-6.0	-4.0	7.6	1.0	367	+10%	44
West Coast	$407,722	20.9	-0.2	2.4	-0.2	34	+34%	41
Southland	$485,730	12.2	3.9	7.2	0.9	130	+6%	42
New Zealand	**$768,121**	**-2.2**	**-2.3**	**0.1**	**-0.8**	**5,761**	**+8%**	**46**

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 lower across the board again this month, with the median rate across the five largest banks falling between 0.4% and 0.7% for terms 1yr and longer. While the Reserve Bank only cut the OCR by 0.25%, their projections indicated a steadily declining OCR over coming years, and that drove wholesale swap rates to fall further, taking mortgage rates with them. We expect mortgage rates to continue falling steadily from here, and as such, we would urge caution when considering fixing for longer terms so early in the monetary policy easing cycle. Longer rates are cheaper and are worth considering for that reason alone. However, our breakeven analysis shows that short-term rates don't need to fall by much to make it cheaper over time to roll successive short-term fixes. At this early stage in the cycle, it's still worth considering fixing for a shorter term and revisiting your options when that matures. Spreading risk over several terms also still makes sense, especially since longer terms are cheaper.

Like last month, falls in mortgage rates seen over the past month have been material, with rates for most terms 1yr and longer down by 0.4% to 0.7%. The magnitude of cumulative falls seen since mortgage rates peaked last November varies, but the 2yr is down the most. Indeed, when we compare our data (across the five largest banks) in Table 1 to RBNZ data (across all banks), it shows that 2yr mortgage rates have now fallen 1.02%. Similarly, 1yr, 3yr and 5yr mortgage rates are down 0.85%, 0.90% and 0.97% respectively. As such, for most terms, at least half of the cumulative decline from the peak came this month (in August). That should be music to the ears of most borrowers. It was not just because the RBNZ cut; it was more because they flagged an intention to deliver a string of cuts This enabled term swap rates to fall further than the OCR, with a knock-on impact on mortgage rates.

With one OCR cut in the proverbial tin and many more to come (we expect a further 175bp of cuts, with one 25bp cut at each of the next seven meetings), many readers are probably asking, is it worth fixing at all? The short answer is likely to be "yes" considering the difference between carded floating rates and 6mth rates. We see very little merit in leaving any more floating than is absolutely needed for flexibility purposes (eg if a windfall is expected); as we have written before, 6mth can be considered a much cheaper close proxy for floating.

As welcome as lower mortgage rates will be for homeowners, with the mortgage curve still inverted (ie rates get progressively cheaper further out), borrowers still must choose carefully if they are to minimise overall interest costs over time.

From the outset, it's worth noting that we always see merit in spreading risk over several terms. Doing so can reduce repayment volatility and spread your risk. But if you are only (or primarily) focused on cost, then what terms look best? Longer terms are cheaper, so ought to at least be considered, but at the same time, we and the RBNZ expect more cuts to come, meaning that some short-term pain may yield some long-term gain, as the saying goes.

In these situations, breakeven analysis can help. For example, consider the choice between 1yr and 2yrs. As Table 1 shows, if the 1yr rate falls below 5.53% in a year's time, back-to-back 1yr fixes will end up being cheaper than a single 2yr fix at 5.99%. That's a big fall, but our projections (based on our wholesale interest rate forecasts) see 1yr mortgage rates falling slightly further, to around 5.3% in 12 months' time. Our projections thus suggest back-to-back 1yr fixes will end up being cheaper. The 6mth is also worth considering. Table 1 shows that the 6mth needs to fall 0.88% to 6.01% by the end of February for back-to-back 6mth terms to be cheaper than 1yr. We expect the OCR to be 0.75% lower by then, but if you think bigger OCR cuts are coming, the 6mth may be tempting too.

Figure 1. Carded special mortgage rates*

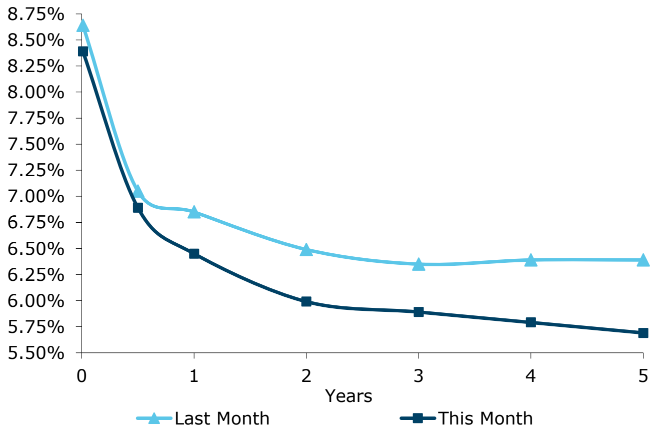


Table 1. Special Mortgage Rates*

		Breakevens for 20%+ equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	8.39%				
6 months	6.89%	6.01%	5.07%	5.99%	5.74%
1 year	6.45%	5.54%	5.53%	5.87%	5.69%
2 years	5.99%	5.70%	5.61%	5.73%	5.59%
3 years	5.89%	5.67%	5.57%	5.62%	5.49%
4 years	5.79%	5.60%	5.50%		
5 years	5.69%	*Median of the five largest banks			

Source: interest.co.nz, ANZ Research.

Key forecasts

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

2Mortgage Size ($000)	Mortgage Rate (%)													
	5.25	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
200	255	262	269	277	284	292	299	307	315	323	330	338	347	355
250	318	327	336	346	355	364	374	384	393	403	413	423	433	443
300	382	393	404	415	426	437	449	460	472	484	496	508	520	532
350	446	458	471	484	497	510	524	537	551	564	578	592	606	621
400	509	524	538	553	568	583	598	614	629	645	661	677	693	709
450	573	589	606	622	639	656	673	690	708	726	744	762	780	798
500	637	655	673	691	710	729	748	767	787	806	826	846	866	887
550	700	720	740	760	781	802	823	844	865	887	909	931	953	975
600	764	786	807	830	852	875	897	921	944	968	991	1,015	1,040	1,064
650	828	851	875	899	923	947	972	997	1,023	1,048	1,074	1,100	1,126	1,153
700	891	917	942	968	994	1,020	1,047	1,074	1,101	1,129	1,157	1,185	1,213	1,241
750	955	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
800	1,019	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
850	1,082	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
900	1,146	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
950	1,210	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
1000	1,273	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

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

	Actual			Projections						
Interest rates	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Floating Mortgage Rate	8.6	8.6	8.6	8.4	7.9	7.6	7.1	6.6	6.6	6.6
1-Yr Fixed Mortgage Rate	7.3	7.2	7.1	6.2	5.7	5.4	5.3	5.3	5.3	5.3
2-Yr Fixed Mortgage Rate	7.0	6.8	6.7	5.9	5.7	5.5	5.4	5.4	5.4	5.4
3-Yr Fixed Mortgage Rate	6.8	6.6	6.5	5.9	5.6	5.5	5.5	5.5	5.5	5.6
5-Yr Fixed Mortgage Rate	6.7	6.5	6.4	5.8	5.7	5.6	5.6	5.6	5.7	5.8

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
GDP (Annual % Chg)	-0.6	-0.2	0.3	-0.5	-0.2	0.0	0.0	0.6	1.0	1.4
CPI Inflation (Annual % Chg)	5.6	4.7	4.0	3.3	2.6	2.4	2.1	2.4	2.1	1.9
Unemployment Rate (%)	3.9	4.0	4.4	4.6	4.8	5.0	5.2	5.4	5.5	5.5
House Prices (Quarter % Chg)	1.7	0.4	0.6	-0.5	-1.1	-0.1	0.9	1.1	1.2	1.2
House Prices (Annual % Chg)	-5.0	-0.6	2.7	2.2	-0.6	-1.0	-0.8	0.8	3.1	4.5

Interest rates	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Official Cash Rate	5.50	5.50	5.50	5.25	4.75	4.50	4.00	3.50	3.50	3.50
90-Day Bank Bill Rate	5.64	5.64	5.63	4.89	4.69	4.20	3.70	3.62	3.62	3.62
10-Year Bond	4.32	4.54	4.67	4.25	4.00	4.00	4.00	4.00	4.50	4.50

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, labour market dynamics, inflation, fiscal and monetary policy.

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

Henry Russell
Economist

Macroeconomic forecasting, economic developments, GDP and activity dynamics and monetary policy.

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

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

Important notice

Last updated: 20 February 2024

The opinions and research contained in this document (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) general in nature and do not take into account your financial situation or goals.

This document may be restricted by law in certain jurisdictions. Recipients must 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 it 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 in it 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 and made on reasonable grounds on the date it was published, ANZ Group does not represent or warrant the accuracy or completeness of the information. 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.

This document may contain forward looking statements or opinions including statements regarding our intent, belief or current expectations regarding economic and market conditions, financial instruments and credit markets. Such statements are usually predictive in character, may not be accurate once the future becomes known and should not be relied upon when making investment decisions. Past performance is not a reliable indicator of future performance. ANZ does not accept any responsibility to inform you of any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of 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. 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. 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.

Important notice

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).

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.

Important notice

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.