21 March 2024

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Input to your Strategy for Adapting to Challenges

Signs of employment weakness

The monthly surveys I run probably don't get officially incorporated in the Reserve Bank's calculations of where the economy is headed because they haven't been running over a long enough period of time. Instead they would undertake close examination of the information coming through from the likes of the ANZ's Business Outlook Survey and NZIER Quarterly Survey of Opinion which have both been running for decades.

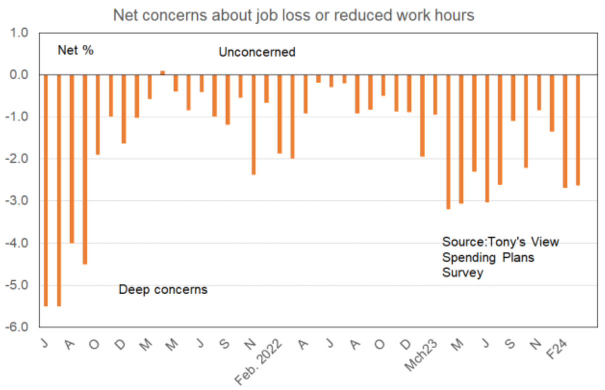
Nonetheless, I reckon I can still glean some interesting things from my surveys beyond the headline measures such as whether real estate agents are seeing more first home buyers or investors, whether banks seem willing to lend more, and whether consumers plan spending more or less on stuff generally.

Specifically, from my monthly Spending Plans Survey we can gain some insights into how the labour market is faring or at least how people are feeling about it. I can supplement those insights with information from my real estate agent survey with NZHL and my Business Survey with Mint Design.

So, let's do that for the labour market and see what sort of picture is coming through. Keep in mind that the Reserve Bank needs to see solid weakness in the labour market before it can be confident that wages growth is going to sustainably pullback from high rates and business cost pressures generally related to labour shortages will ease.

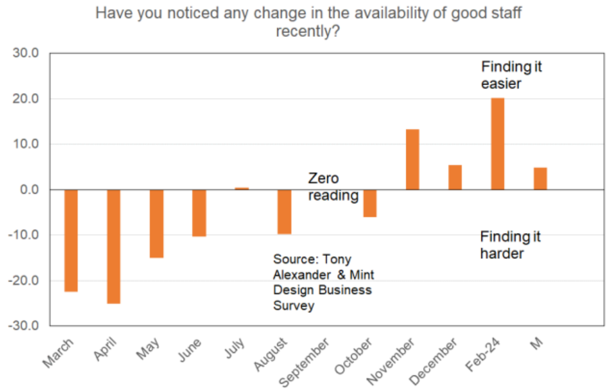
They're having to wait a long time for this information to come through because of the over-stimulus they provided to the economy over 2020-22. By creating economic conditions which pushed the unemployment rate down to 3.2% and caused businesses to express their greatest difficulties ever in finding staff, willingness to lay people off this policy tightening cycle has been low. Businesses have hoarded labour and despite two years of falling retail sales the unemployment rate has only climbed to 4.0% which is where it was back at the end of 2019 when the official cash rate was 1% and not the current 5.5%.

From my Spending Plans Survey we can see that the net proportion of respondents indicating that they are concerned about their jobs and/or work hours has increased over the past couple of months. But the level of concern is only back to where it was in the middle of last year and that suggests weak labour market conditions are not really hitting home yet.

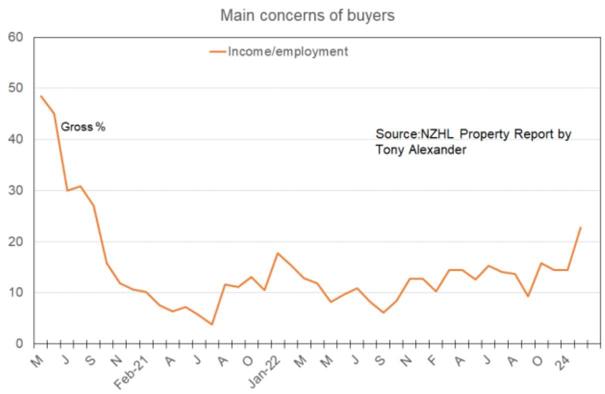


However, the net proportion of people expressing worries about their wages has grown to the highest level since 2020, seen in this next graph. So, the Reserve Bank is getting taction in the labour market but it is early days yet.

From my Business Survey with Mint Design for which this month's results will be out in a few days, we can see that more businesses are saying that it is getting easier to find good staff than say it is getting harder. But following a shift in this measure over the second half of last year you'd be hard-pressed to say that so far this year things are moving solidly in favour of businesses finding it easier and easier to get the staff they want.



Finally, from my survey of real estate agents with NZHL we reported a couple of weeks back that the proportion of agents observing that people are worried about their employment has just climbed. A gross 23% of agents now rate this as a buyer concern compared with 14% a month earlier. This is the highest reading since September 2020.



What does this mean? It means that retailers and home sellers have yet to feel the full impact of people worrying about their incomes. All they've been dealing with so far are the effects of higher mortgage interest rates and the ending of the pandemic binge on consumer durables. Worse is set to come.

Real estate agent insights

Each month when I ask agents for their insights into what is happening at the residential real estate coalface, I invite comments. Here are the comments they submitted for the regions south of Bay of Plenty. Enjoy

Waikato

- Listings are coming fast here in Whitianga...priced well can sell reasonably quickly, but some vendors still holding out for a miracle buyer who doesn't exist...listings driven by need for better medical care; reduce debt; cash in bank due to uncertainty of future...buyers looking for deals convinced they hold the aces.
- Sellers that are highly motivated and willing to hear where the current market see's value are selling. Those who are still holding out for prices that may have been achievable a few years ago are sitting on the market with their head in the sand.
- From the east coast of the Coromandel Peninsula we are seeing a surge of listings but not a corresponding increase in sales so the stock levels have shot up significantly. As a predominately 2nd home area I feel the interest rates being held high at the moment is putting people off buying if they have to borrow larger sums of money. There's a lot more action in the market at the moment but much of this time is being spent on appraisals, new listings, AML etc.
- Drowning in appraisals, but not agreements
- Over the past 3 weeks I feel the Hamilton market has dipped between 3 & 4% based on the 20 odd appraisals you can see the dip. Buyers' market again, with a lot of procrastination from buyers.
- First home buyers from south Auckland are more frequent at lower value open homes. No interest in bare land.
- Multi-offers happening quickly after lower cost houses appear on market - usually flippers with cash and short date to unconditional versus First Home Buyers with more conditions inc finance and longer unco dates. - The only way First Home Buyers can win in this situation is to offer over asking - renovators won't do that.
- FHBs have to pay more to secure lower tier properties and they learn this on their third or fourth multi-offer scenario."
- Market remains stubborn. Buyers waiting for certainty over interest rate outlook.
- Slightly nervous market at the moment with some grumpy vendors about. Contracts on the board, but they are taking longer to negotiate.
- School zones are now affecting our buyers, which is a departure for us. Rolls are increasing and space is at a premium.
- Most of our activity is in the mid range with good enquiry and solid buyers. More traffic through open homes. Old stock sitting / new stock out the door. Lots of baggage in the deals from one or more house sales to all line up through to all conditions plus due diligence as well.
- The South Waikato has been productive over the last month. Appraisals are increasing and this is corresponding to more listings on the market. Properties have been selling and both vendor and purchaser are happy to meet at a price.
- There are still some investors lowballing but they will adjust in time.
- Priced properties are getting the most attention. If they're well priced and well presented they're selling quickly. Overpriced properties and properties needing work are sitting.

Hawkes Bay

- Outdated properties are suffering in this market. Labour and build costs are so expensive dated homes are selling and discounted prices.

- More buyers attending open homes but no urgency to put in an offer. Too much choice for the buyer with more listings coming on each week. Our team viewed 12 properties today. Ranging from $550,000 to $1,000,000.
- Hastings/Havelock North - stock levels are rising; Buyers are active but not in a hurry to commit. It is a frustrating market for many as it lacks clarity and direction.

Taranaki

- Have noticed a drop in people attending open homes and people are having a lot of trouble here in Taranaki getting finance from banks here. I think most people are looking for a drop in interest rates. As is I think we are in for a bit of a slow period here in the Naki. Hope I am wrong. Time will tell hey?

Manawatu-Wanganui

- We seem to be in a neutral market now in Feilding.
- Any price movement upwards is very small! Vendors think it is rising more though!
- Inquiry has generally turned sluggish over the past month - no urgency among buyers. Vendors are looking for action and are not unrealistic
- In the Central North Island a relatively high number of both sellers and buyers are waiting on the outcome of the ski fields before they decide to sell and/or buy. This should be known sometime this month.

Wellington

- Definitely lots of interest for homes under $1.1M, especially when the property is presented well. The apartment market has completely dropped off with very few people attending these open homes.
- Wellington prices are still falling and we believe the market actually worst than late 2023 however our auction clearance rate is 83.5% and day on market 28 days compared to 47for private treaty/deadline
- The Wellington City & Suburbs market is strong with multiple offers on any well-presented and maintained places. Old investment stock is sitting as those landlords who are too greedy get punished for not spending a cent on their places for 20 years. The FHB market is on fire with massive numbers of buyers out and about trying to buy.
- Some strength has come out of the market in recent months, as new supply has increased significantly in the new year.
- Affordability, high interest rates and govt imposed lending restrictions still impeding transactions. High stock numbers currently make our area more a buyer's market where vendors need to rethink their expectations on price
- We are starting to see multi offers on most properties. last week we had 17 offers over the 2 properties we were selling by a fixed sale date process. We are based in Lower Hutt.
- In Wellington the usual gap in expectation between buyers and sellers is widening.
- More buyers trying to get into a cash buying position.

Tasman

- Plenty of buyers but slow to transact.
- Our market in Nelson Tasman is very sluggish in the top end, approx. 365 listings between 1 million and 3.5 million on Trade Me for listings from Nelson to Golden Bay
- There are no more than double the number of listings in this part of Tasman compared with 2021, and some prices on those properties listed a year or so ago have no option but to keep dropping. Fortunately there is strong buyer demand for new listings and multiple offers at all Tenders and Deadlines resulting in better than expected sale prices. Treading my own path!

Marlborough

- The market is steady, with houses that are well maintained and well presented with realistic vendors are selling quickly, while there are plenty of sticky properties out there. With 617 properties on the market in the region with only 40 selling in the January statistics, which would translate to a 6.4% chance of selling.

- We have yet to see a market pattern develop since new year. It feels like buyers are holding back a little. Listing numbers are a bit under last year
- There is traction in the market. Properties are beginning to sell again at around 20% less than the height of the market.
- Marlborough market has got very busy, lots of appraisals and listings, serious purchasers are out there, motivated vendors aplenty

Nelson

- In the Nelson area we have a surfeit of first home buyers. However both finance and/or insurance at the moment are difficult for many to obtain.
- Very limited number of auctions in Nelson area. Now seeing Buyers now requesting early viewings prior to open homes as they have missed out on other properties.
- No sign of any investors. Insurance is tuff to get on properties which have past history of natural disasters. Banks are wanting more info i.e. building inspections.
- Have had some turnover of older stock after sellers have reduced prices to meet the market. More buyers are looking but very reserved about making a decision to whether to make an offer. The market is fickle and flat.

Canterbury

- I'm selling sections & we are experiencing a huge lift in demand from all buyer types.
- I feel there is an element of buyers/sellers being ready to transact after holding off late last year. People are sick of the uncertainty and are ready to transact
- There seems to be a mixed bag at the moment. Sellers who present homes well are getting good offers, others continue to dream, and buyers are in many cases expecting good deals and missing out. People are understanding the importance of getting into a cash position.
- Good clearance rates at our auction rooms in Christchurch
- Christchurch - High end market is slow, buyers who want newly built homes don't wish to pay the value, I believe this is because they do not understand how expensive building is.
- In the past few weeks, we have seen listings increase quickly and buyer numbers have stayed the same, so we are seeing less through open homes. Auctions are great at focusing buyers to a date to be ready by and if they can't purchase at auction, we are seeing these properties quickly go under offer post auction. We believe vendors get into the selling zone much quicker using this method and therefore don't languish on the market. First home buyers still our largest market - under $750,000.
- Buyers are taking their sweet time at present - many will re-appear weeks or months after initial interest, finally having made up their mind to do something - often too late.
- Investors are making pre auction/deadline offers with withdraw from auction/deadline clauses to avoid any further competition especially when competing with first home buyer market.
- It is a mixed market at the moment. Well priced houses that are quality properties seem to sell quickly. Quality homes that are priced too high seem to sit on the market. There is some investor activity. We will see if this actively increases after the reserve bank sticking to their decision on what the official cash rate should be. Maybe the first home buyers will start realising their options to buy are now, as the interest rates are starting to move in the right direction for the first time in a long while, and they are currently spoiled for choice with the benefit of some motivated vendors. FOMO has not yet reached the Timaru market but it can't be far away.

Otago excl. Queenstown Lakes

- I believe the market is slowing, people taking long time to make decisions.
- The Dunedin market is still tending toward the buyer but not strongly.
- Starting to see investors returning to the market, however, they are basing offers purely on numbers and low balling.
- The market is getting tougher and Vendors expectations are very high.

- The investment market has had a considerable stir in the last few weeks. A lot of Vendors are keen to come to the market with the expectation that buyers will be coming soon. Some are getting worried about debt levels and keen to move, and others are concerned about DTI's being implemented and the investor buyer enquiry dropping in the second half of the year. Buyer enquiry has just recently increased a little more, although still cautious to act. I assume (hope) this will change in the coming weeks and we'll see more offers come forward.
- Getting finance is still high in buyers' minds. Properties that need even moderate renovation are not attracting as many offers. Many buyers finding it tough getting finance and borrowing money for repairs and renovations even harder, if not near impossible.

Queenstown Lakes

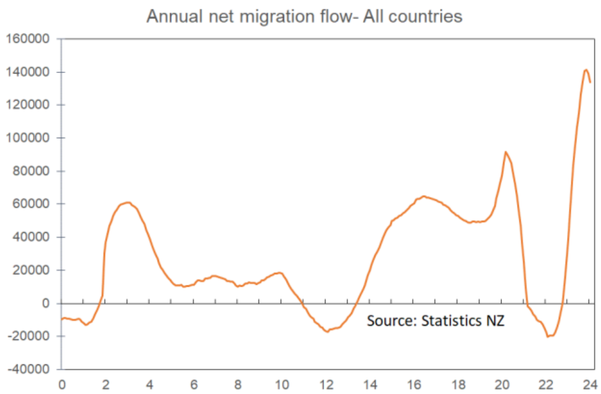
- Queenstown - some sectors of our market are very active and competitive, but it is not across the board. Our entry-level and first family home buyers are very active, along with some investor groups and holiday home buyers. Multiple auctions and deadlines are being brought forward. The price bracket of $2m - $3m is quiet with a lot of stock available in this sector. North of $3.5m it starts to get busier again.

Southland

- Multiple offers on property common across a broad price band to $850K

Migration still booming

The initial estimate Statistics NZ made of the country's net migration gain over calendar 2023 has just been revised up from 126,000 to 139,000 and the peak is now showing as 142,000 in the year to November.



The latest data cover January and show a net annual gain of 133,000 – which presumably like essentially all over data for the past year and a half or so will also be revised upward.

The net gain for the month sits at 5,300 which is lower than average. But then the initial estimate for December's gain of about 2,500 has been revised up to almost 9,000. All that means is that we have almost certainly passed the peak for net migration gains. But we don't really know the speed with which we are coming off that 141,000 peak.

Assuming a net gain this year of perhaps 75,000 seems reasonable – but late this year it might look unreasonable.

The latest data show a net population boost of about 2.6% for which a lot of extra beds are required. As to the number of extra bedrooms - that is impossible to say. Many of the 257,000 migrant arrivals over the past year might be cramming into existing accommodation.

The key point to note however is this. People don't stay cramped for ever. At some point unless we go through a period of very large net migration losses, a lot more bedrooms and therefore a lot more houses will be required. Given that the number of new dwellings set to get built is falling away, the interaction of these demand and supply factors will produce a price response one day.

For now however, the surge in investor demand for housing which one might expect from such a dynamic is being capped by surging costs of running a rental business, high interest rates, and maybe even promises by opposition parties to once again remove interest expense deductions if they ever have a say in the matter.

The way in which providers of rental housing have been slammed by governments and the media in recent years suggests we may have entered a period of a structural shift down in investor demand for residential property. Why bother? Maybe its better to take your money offshore and avoid a potential wealth tax in the future.

While some people will think less investor demand is a good thing because it leaves more space in the market for first home buyers, remember the surging population dynamic. Lots of extra houses are needed in New Zealand and the property developers who might normally look to supply them are now under deep and deepening cash flow pressures.

The underlying housing picture in New Zealand is worsening – not improving.

Broker comments

Each month I like to reprint the comments which mortgage brokers submit about bank lending to investors and first home buyers. Here are their comments on the former. Enjoy.

- Banks are competing for this market.... limited pre-approvals for LVR <80%
- Higher UMI requirements remain but banks are showing more flexibility in this space e.g. now open to including boarder income, may approve outside of the normal rules with strong mitigants.
- As times push out on looking at deals there is more scrutiny on deals to slow things down. Bit fussier on credit quality
- DTIs now part of calculators - though not currently part of policy. Banks being prepared if this becomes part of their ruleset.
- More cashback
- Affordability is the main criteria followed quickly by an Exit plan if clients are over age of 40.
- One bank has opened up to 95% lending (non Kainga Ora FHL)
- Sale and purchase agreement is key to getting assessed in good time. Servicing test rates still an obstacle and CCCFA assessment proving tough for first home buyers to process.
- Much the same from what I see
- Properties need to be up to spec.
- Servicing still the biggest hurdle.
- Slight relaxation of the rules for high LVR borrowers, still only preapprovals available for 20% purchasers or Kainga Ora applications, however all banks taking live deals for nonbank customers for low deposit home loans now.
- Small changes here and there in surplus required, Boarder income details, Contingency factor for builds etc.
- No change with the exception of xxx bank willing to lend up to 95% LVR for an FHB.
- Strong servicing and good account conduct
- Discretionary expenses are well ignored.
- Relaxing the UMI's for >80% lending
- xxx now lending over 90% LVR again, while yyy have tightened criteria. Are starting to provide more cash towards FHB's.
- No changes at this stage with most lenders. Maybe mid year when the LVR rules change, we may see more movement. xxx has made a surprise change that they will now consider 95% for their own clients.
- The Banks are definitely softening towards first home buyers - they are not as aggressive towards them and actually seem to want to assist FHB's get into homes.
- Most are only doing live deals for existing clients
- Only first home buyers I am seeing are Kainga Ora, others can’t meet the high UMI requirements by the major lenders. It is also time Kainga Ora reviewed the income threshold as it is too low. Although people have had wage increases with the extra cost of living they are no better off financially but now are not eligible for the Kainga Ora FHL.
- LVR quotas being stretched in the quiet market so there are less pre-approvals available. Good cashbacks
- Banks are less concerned about discretionary spending but are continuing to insist on any debt being repaid in full and closed - credit cards, Buy Now Pay Later Schemes. This is seen as a tool to reduce the risk of overspending in this economic situation.
- Banks are actively considering lending; however, the affordability surplus remains the main issue for low-income borrowers. With Kianga Ora's 5% deposit home loans, there are plenty of buyers out there looking at

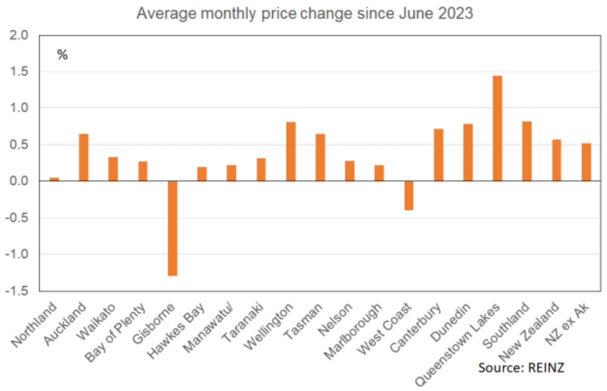
buying and everyone has accepted the rate of 6.99%

- It seems banks are more accommodating with the FHB buyer. I suspect that has something to do with the large stock of available property & wanting to maintain market share.
- One bank has now allowed FHBs to use two boarders' income if they are over 80% LVR which is awesome news. Most banks are shut to over 80% LVR pre-approvals which makes it more stressful for the FHB.
- Zzz bank has introduced DTIs to their affordability calculator for future reference.
- One bank currently extending LVR to 95% if the deal has strong servicing, existing clients with live contracts only. A game changer in this space for those that don't meet Kainga Ora FHB criteria.
- No change to the criteria we have become used to - just need to make sure you cover off policy clearly.

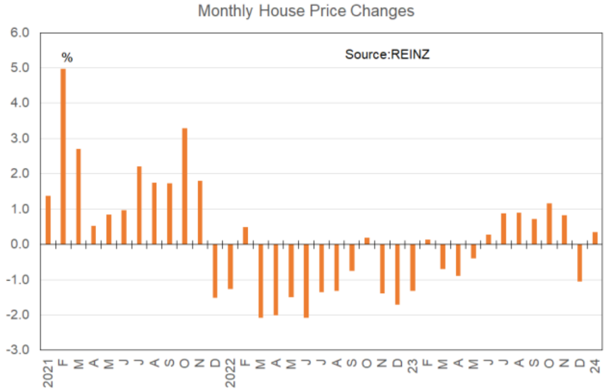
Latest REINZ data

Last Thursday REINZ released their monthly data on the residential real estate sector around New Zealand and this is what we learnt.

Prices rose on average by 1.1% in February and since the turning of the cycle in June have on averaged increased by 0.6% a month. The following graph shows the average monthly gain for each region since the start of June last year. Only two parts of the country are so far not joining in - Gisborne and the West Coast. Note Canterbury southward.

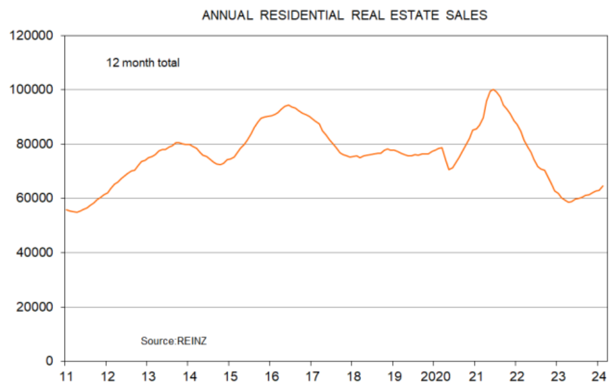


The nationwide pace of price gain has stumbled a bit recently after the surge over the second half of 2023. I suspect growth in prices for the next few months will be fairly mild given the results of my monthly real estate survey with NZHL showing rising worries about employment and interest rates, plus falling FOMO perhaps associated with a listings surge.

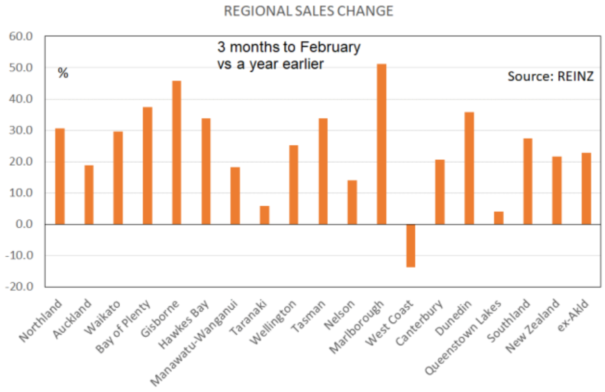


With regard to property sales there was a seasonally adjusted recovery in the month of February. But things have weakened slightly over the summer period after the mid-2023 surge.

Sale in February were 38% stronger than a year earlier and the annual number of sales has risen to 64,600 from the low of 58,600 in April.



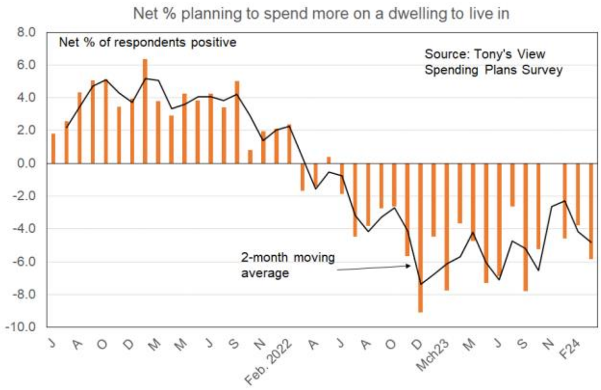
This graph shows sales growth in the three months to February from a year before for all regions.



Note that in some locations like Gisborne sales were depressed a year ago by the flooding.

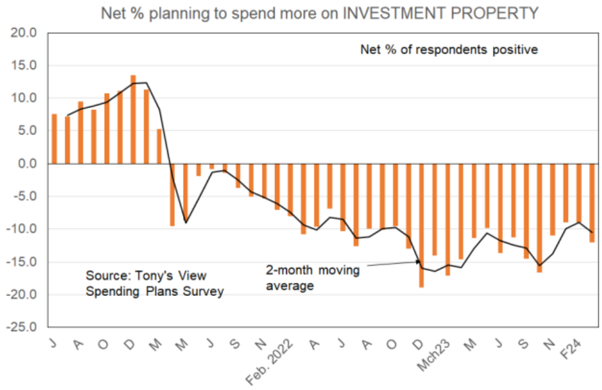
Investors turn to selling

As promised last week, here is some discussion of the two questions related to housing included in my monthly Spending Plans survey. In the most recent survey a net 5.8% of respondents said they expect to spend less on a house to live in over the next 3-6 months. This is a deterioration from a net 3.8% last month which appears consistent with the many other indicators showing that the residential real estate market has entered somewhat of a pause recently.

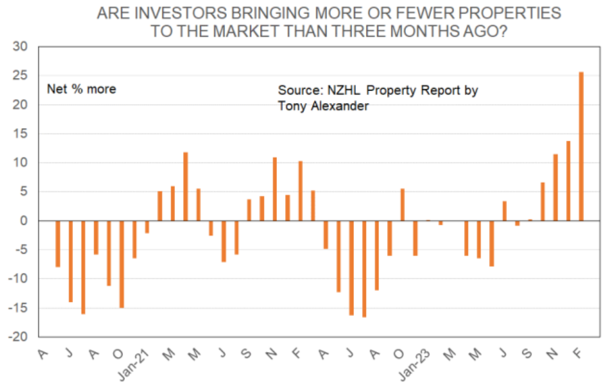


The result is actually the weakest since September last year.

In similar vein there has been a deterioration in the net proportion of people saying they plan to spend more on an investment property to a net 12% planning reduction from 9% in February. This is the weakest result since October and again is consistent with other measures showing a pullback in investor buying interest despite the coming 80% restoration of interest expense deductibility from April 1.



From my monthly survey of real estate agents with NZHL we have just seen a large jump in the proportion saying they are seeing more investors looking to sell – to 26% from 14% last month and a net 1% in August saying they were seeing fewer investor sellers.



This is the highest reading on record. No wonder listings are rising strongly and more are set to come as it looks like the brightline test will shift back to two years from July 1. Owners then can sell after holding for two years and have no tax obligations.

Local House Price Momentum

This week I take a look at where things have been going recently from Porirua down to South Wairarapa including Upper and Lower Hutt, Wellington City, Masterton, and Carterton. This first table shows house price changes using REINZ median price data averaged over six months to smooth high month to month fluctuations.

	Past 6 months %	Previous 6 months %	Since Pre-Covid %
Porirua	-4.6	-1.8	15.7
Upper Hutt	6.0	-3.1	27.2
Lower Hutt	0.9	-2.6	24.5
Wellington	2.2	-4.9	10.4
Masterton	16.0	-12.6	39.2
Carterton	-2.4	-9.1	33.9
South Wairarapa	-1.0	-7.7	24.5
New Zealand	1.4	-2.0	30.5
NZ ex Akld	2.2	-2.7	36.7

This second table shows growth in the number of consents issued for dwellings to be built measured as the latest 12 month sum on a year before, and the same calculation one year ago.

	Past year	Year ago
Porirua	-39.7	-20.4
Upper Hutt	-32.1	-4.0
Lower Hutt	-49.7	26.1
Wellington	-59.3	24.2
Masterton	-10.9	-8.3
Carterton	-43.6	31.2
South Wairarapa	0.8	-31.1
NZ	-26.3	1.4
NZ ex. Akld	-25.3	-0.6

Finally, here are population projections for each area we cover this week.

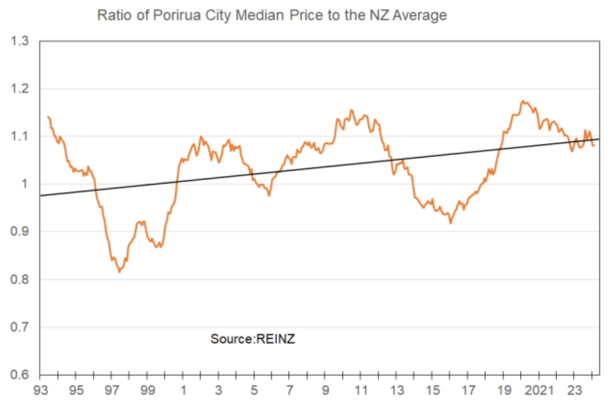
	Projected % population growth 2023 - 2048
Porirua	13
Upper Hutt	12
Lower Hutt	9
Wellington	12
Masterton	8
Carterton	12
South Wairarapa	12
New Zealand	18
NZ ex. Akld	14

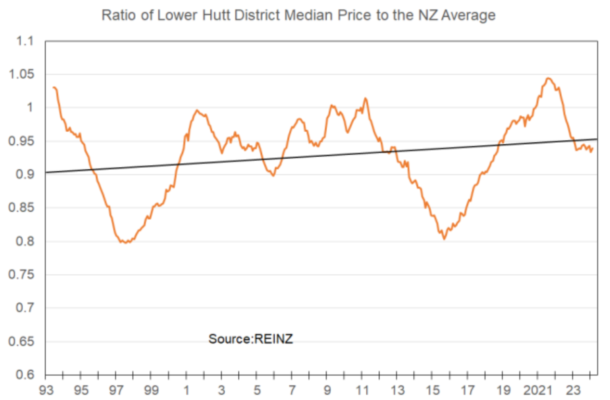
Following are two graphs for each location. The first shows the 12 month average ratio between the area's median sales price and the NZ average. When the orange line is rising then the area's prices are rising at a pace faster than average or falling less than average. When the orange line is falling then prices are rising less than average or falling more. A rising orange line basically means price out-performance and you can see cycles of strength and weakness.

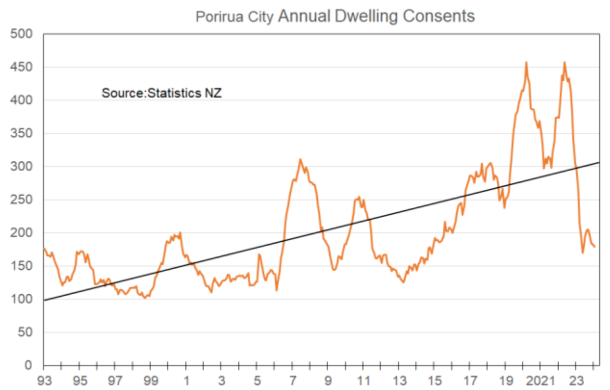
The black straight line is a simple long-term trend which you can use to get a feel for whether a location seems somewhat over or under-priced.

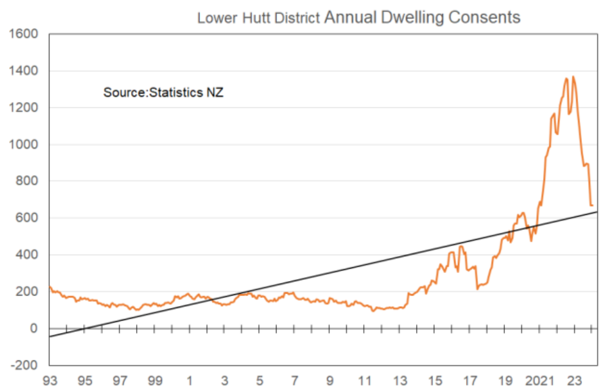
The second graph shows the simple 12-month sum of consents issued. You can get a feel for whether there might have been a construction boom or not which might mean excess of deficient property supply.

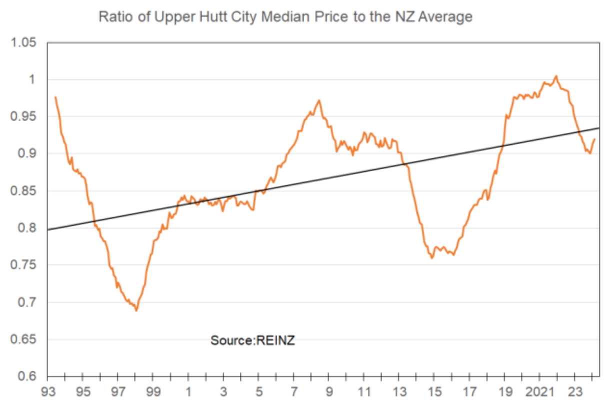
I will repeat this explanation each week as I know the graphs require some greater than average thought.

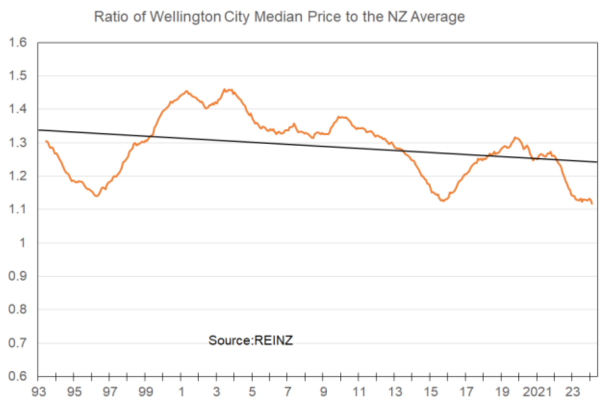

Ratio of Porirua City Median Price to the NZ Average
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
Source:REINZ
93 95 97 99 1 3 5 7 9 11 13 15 17 19 2021 23

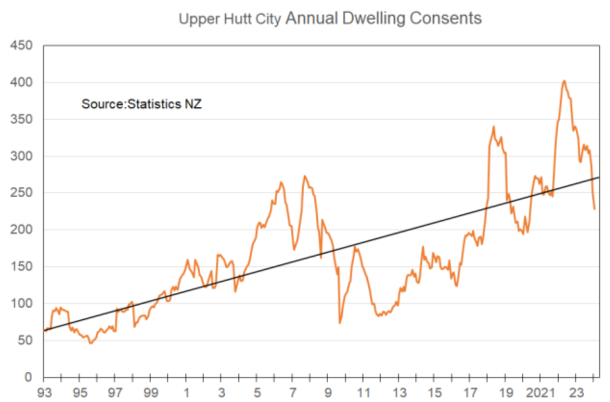

Ratio of Lower Hutt District Median Price to the NZ Average
1.1
1.05
1
0.95
0.9
0.85
0.8
0.75
0.7
0.65
0.6
Source:REINZ
93 95 97 99 1 3 5 7 9 11 13 15 17 19 2021 23

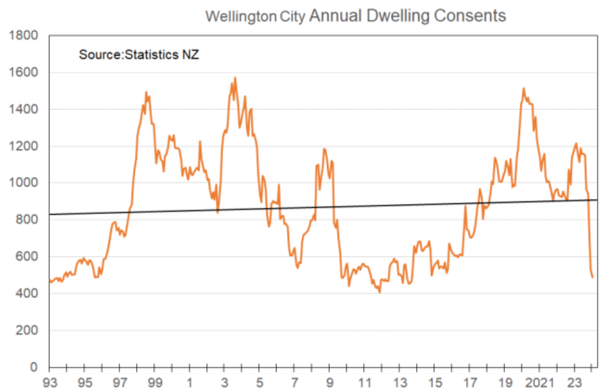

Porirua City Annual Dwelling Consents
500
450
400
350
300
250
200
150
100
50
0
Source:Statistics NZ
93 95 97 99 1 3 5 7 9 11 13 15 17 19 2021 23


Lower Hutt District Annual Dwelling Consents
1600
1400
1200
1000
800
600
400
200
0
-200
Source:Statistics NZ
93 95 97 99 1 3 5 7 9 11 13 15 17 19 2021 23

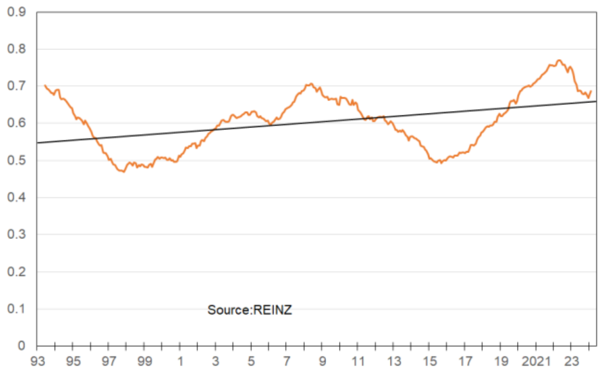

Ratio of Upper Hutt City Median Price to the NZ Average
1.05
1
0.95
0.9
0.85
0.8
0.75
0.7
0.65
0.6
Source:REINZ
93 95 97 99 1 3 5 7 9 11 13 15 17 19 2021 23


Ratio of Wellington City Median Price to the NZ Average
1.6
1.5
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
Source:REINZ
93 95 97 99 1 3 5 7 9 11 13 15 17 19 2021 23

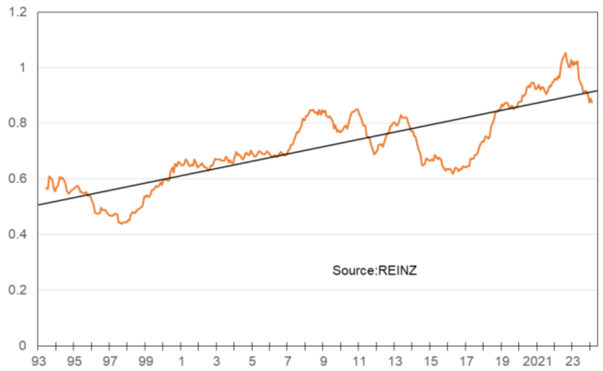

Upper Hutt City Annual Dwelling Consents
450
400
350
300
250
200
150
100
50
0
Source:Statistics NZ
93 95 97 99 1 3 5 7 9 11 13 15 17 19 2021 23


Wellington City Annual Dwelling Consents
1800
1600
1400
1200
1000
800
600
400
200
0
Source:Statistics NZ
93 95 97 99 1 3 5 7 9 11 13 15 17 19 2021 23

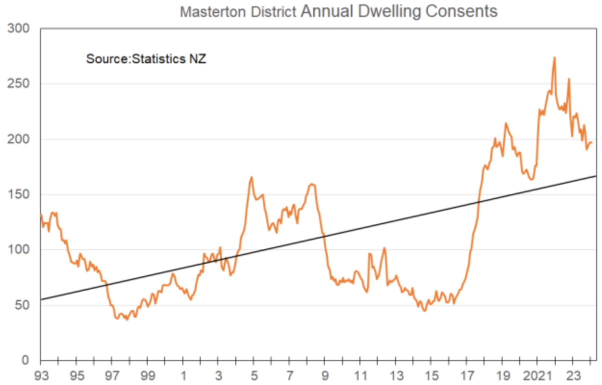
Ratio of Masterton District Median Price to the NZ Average



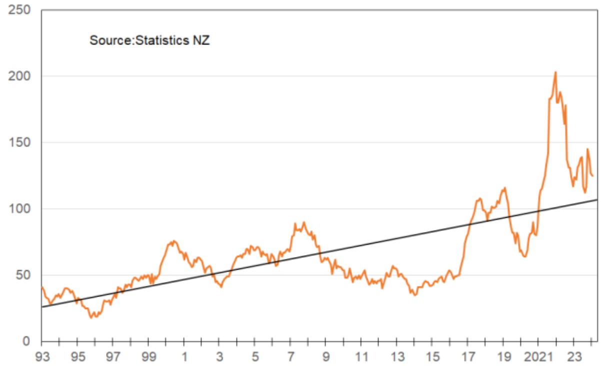
Ratio of South Wairarapa District Median Price to the NZ Average



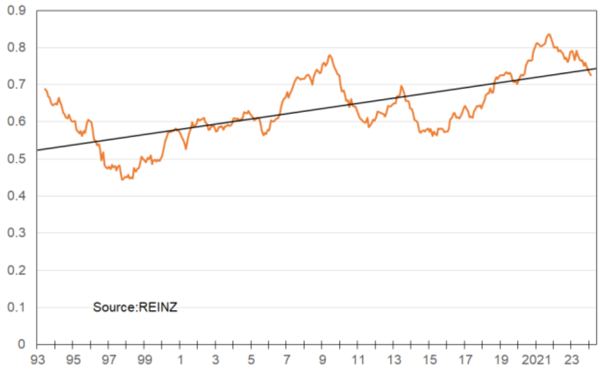
Masterton District Annual Dwelling Consents



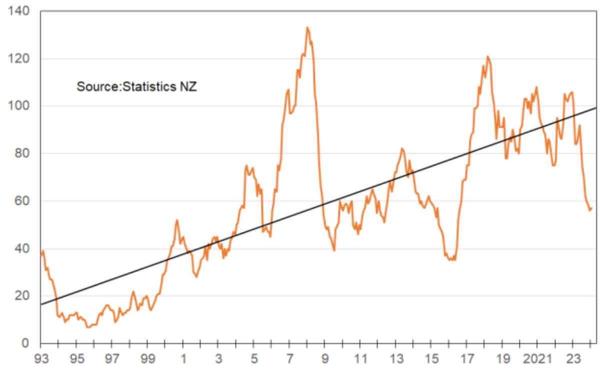
South Wairarapa District Annual Dwelling Consents



Ratio of Carterton District Median Price to the NZ Average



Carterton District Annual Dwelling Consents



Interest Rates

Nothing I write here or anywhere else in this publication is intended to be personal advice and you should discuss your financing and investment options with a professional.

Nothing much new learnt

There have been only minor movements in wholesale interest rates this week and no meaningful changes in bank mortgage rates. Here as is the case offshore, we are all waiting for time to pass, inflation rates to fall, and our central banks to gain confidence that the outlook for inflation is sufficiently low to allow monetary policy to ease.

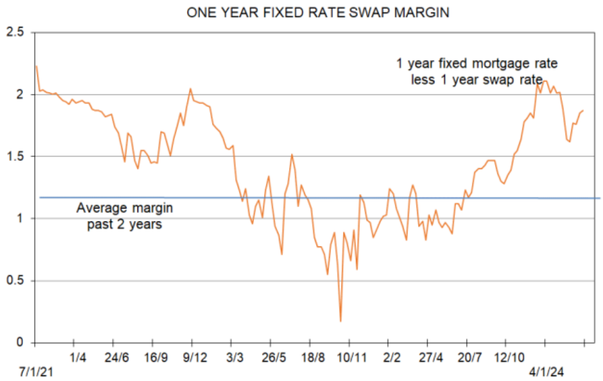
In that regard noting much new of relevance to the outlook here was learnt this week. Even the economic growth data released this morning showing we were back in recession in the second half of last year don't really count for anything. They show us – subject to revisions – where our economy was at about four months ago on average.

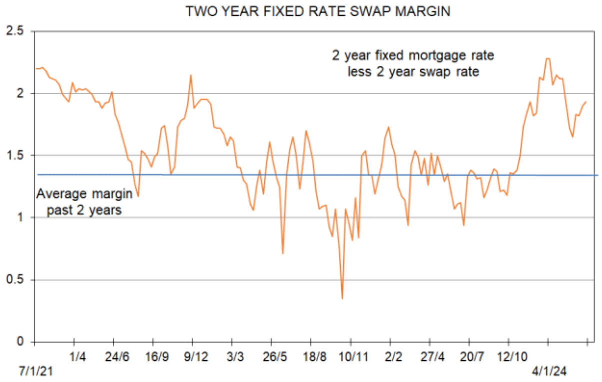
Since then the housing market has somewhat flattened out, consumer sentiment in my monthly measure has worsened, dairy prices have eased a tad, the fiscal outlook has deteriorated, the government has warned of tough times ahead, the outlook for house construction has worsened, and consumer spending data have been bad.

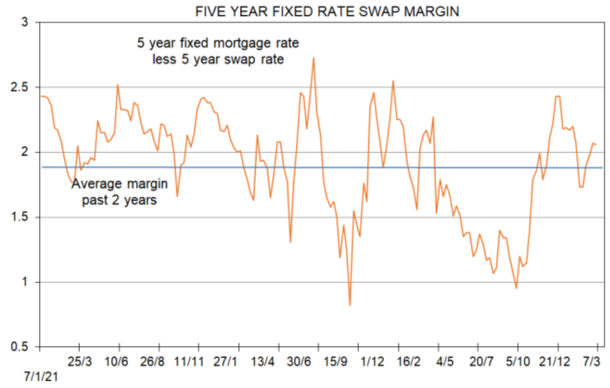
We await the Reserve Bank's next review of monetary policy on April 10.

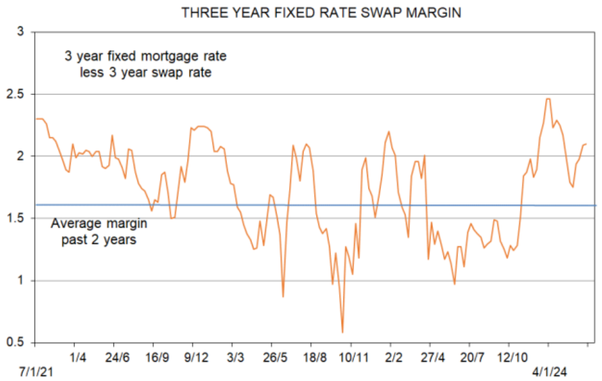
Graphs to assist your decisions

These our graphs show the margins for fixed rate loans. You can use them to get a feel for whether rates offered by banks are at unusually and potentially unsustainably low or high levels and could change even without their borrowing costs altering.









If I were a borrower, what would I do?

If I were borrowing at the moment I would take a mix of 6 and 12 month fixed rates and expect to make a similar decision in 6-12 months time.

To see the interest rates currently charged by major lenders go to www.mortgages.co.nz