



Hanging in there!

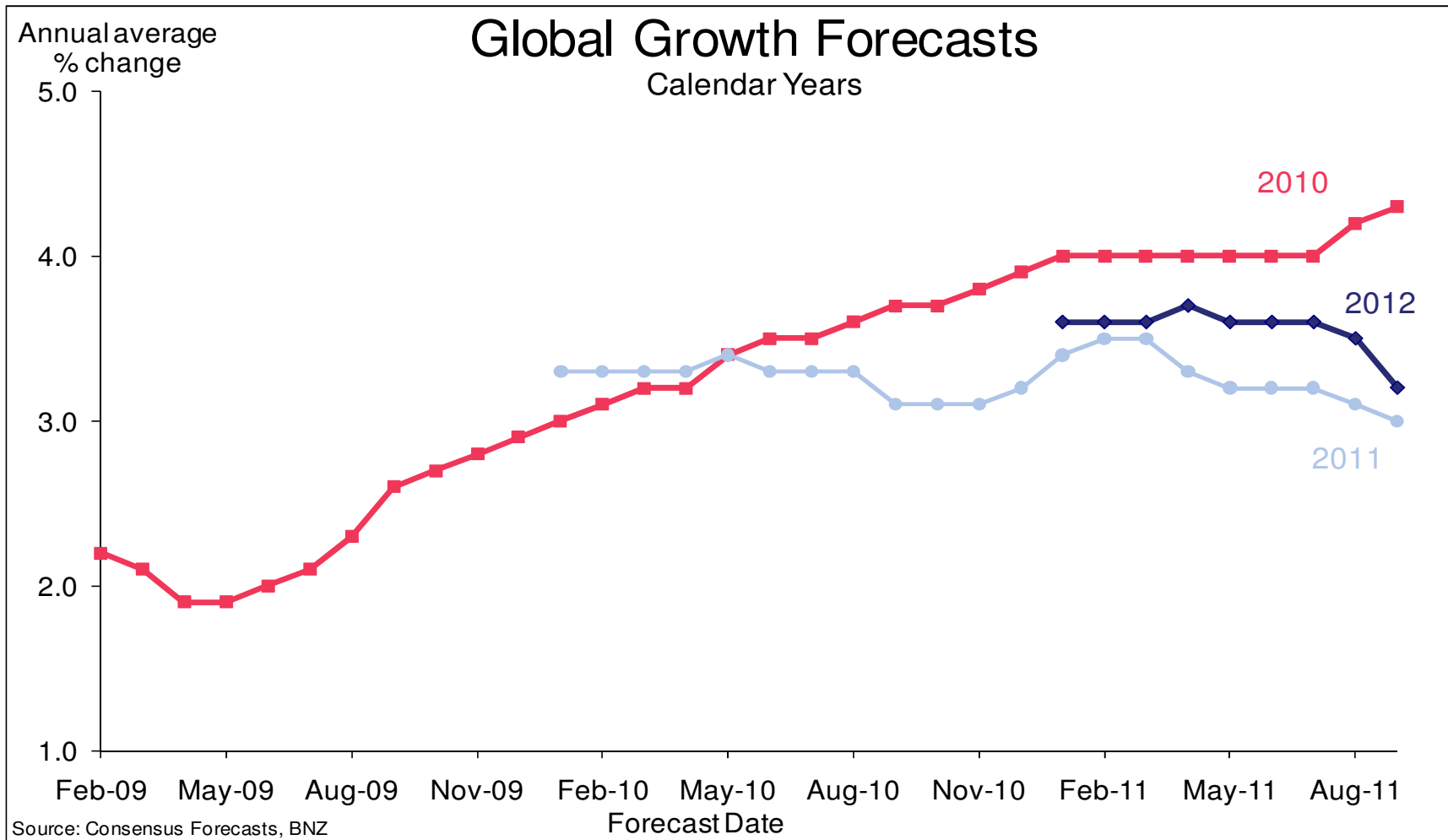
Stephen Toplis, Head of Research

September 2011

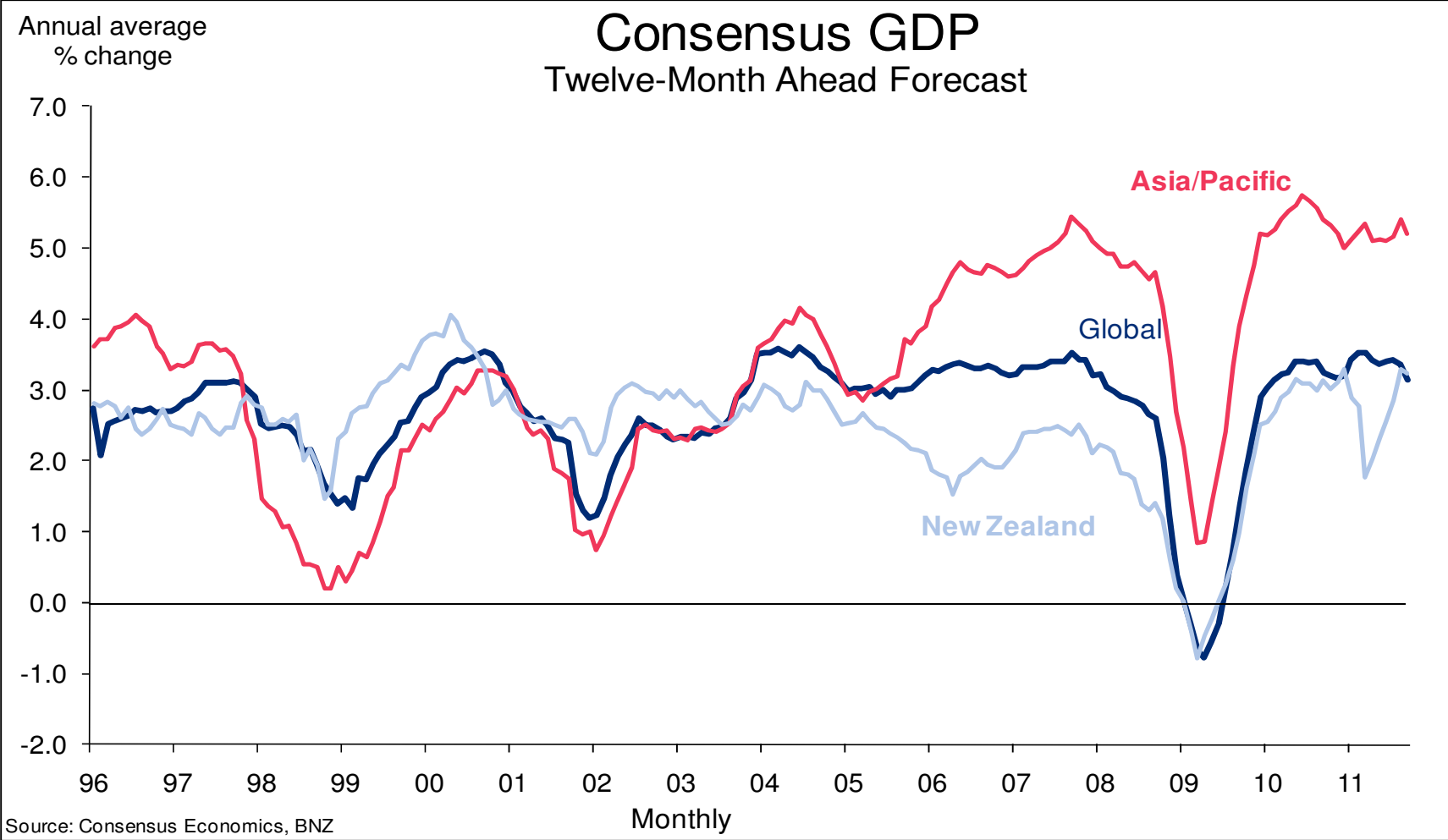
Introduction

- Global economy awful
- New Zealand relatively pretty
- Domestic demand set to pick up
- But external sector faces greater pressure
- Domestic capacity constraints a major problem

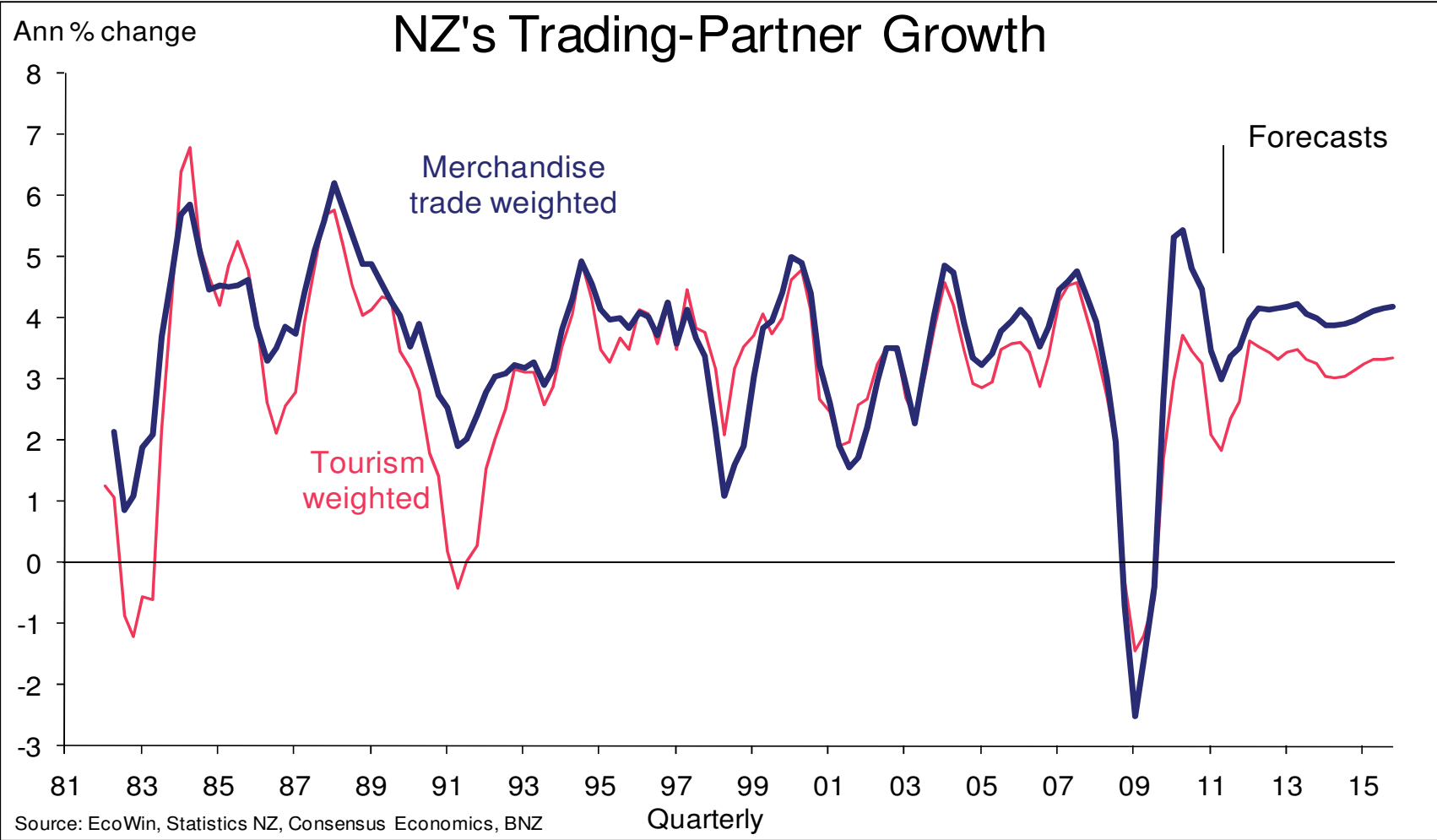
A World in Union?



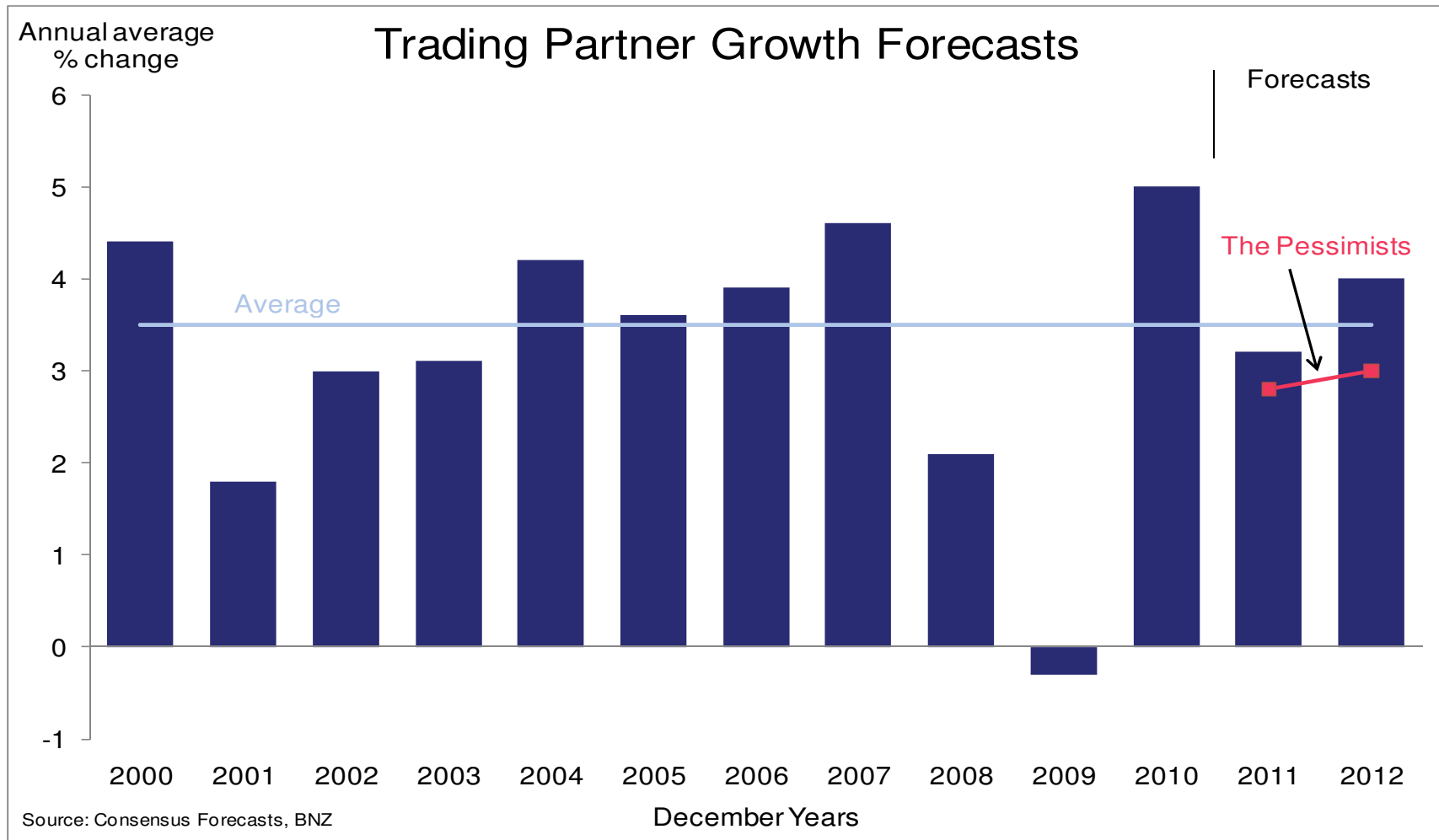
Not Really!



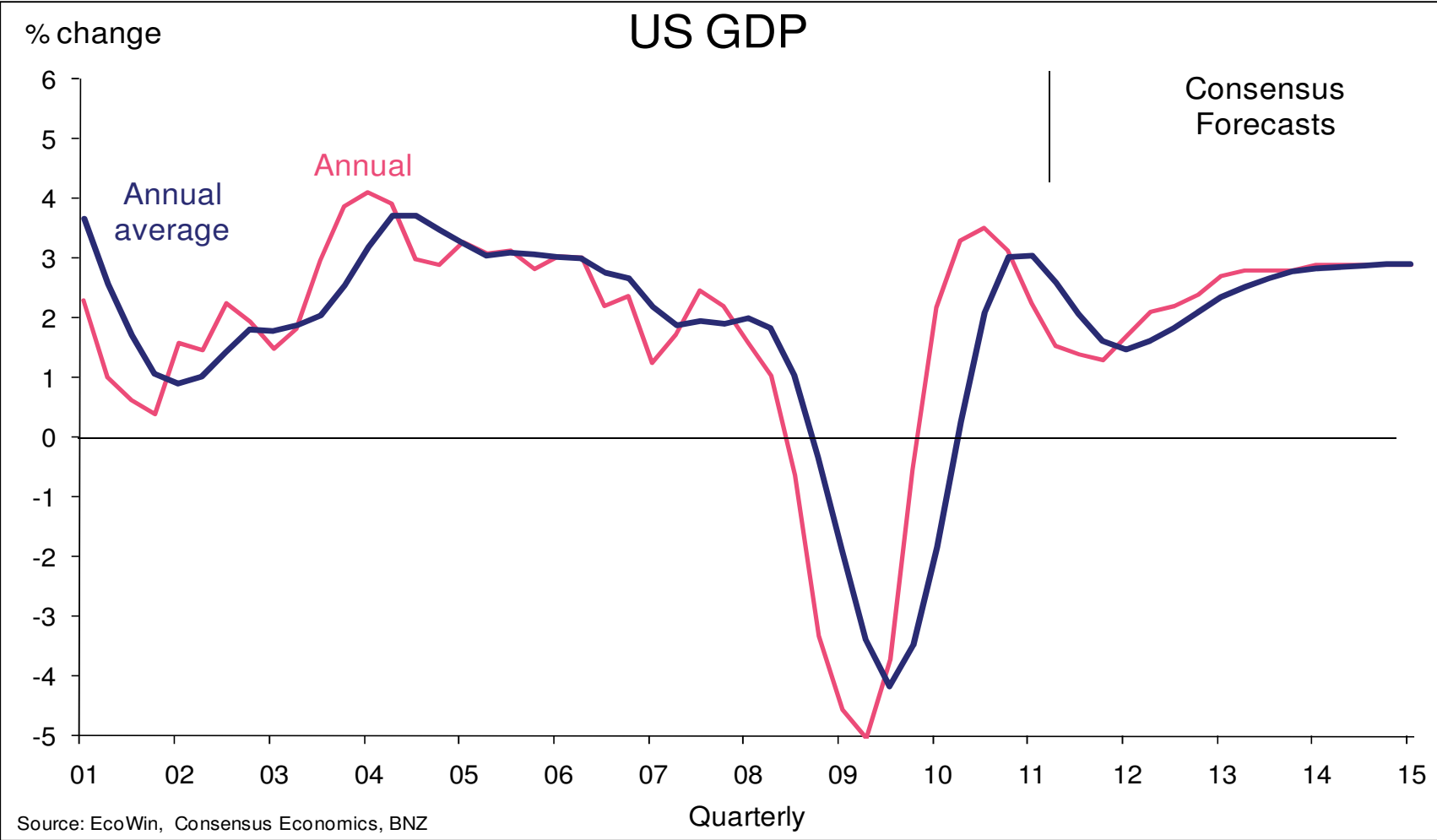
NZ Trading Partners OK



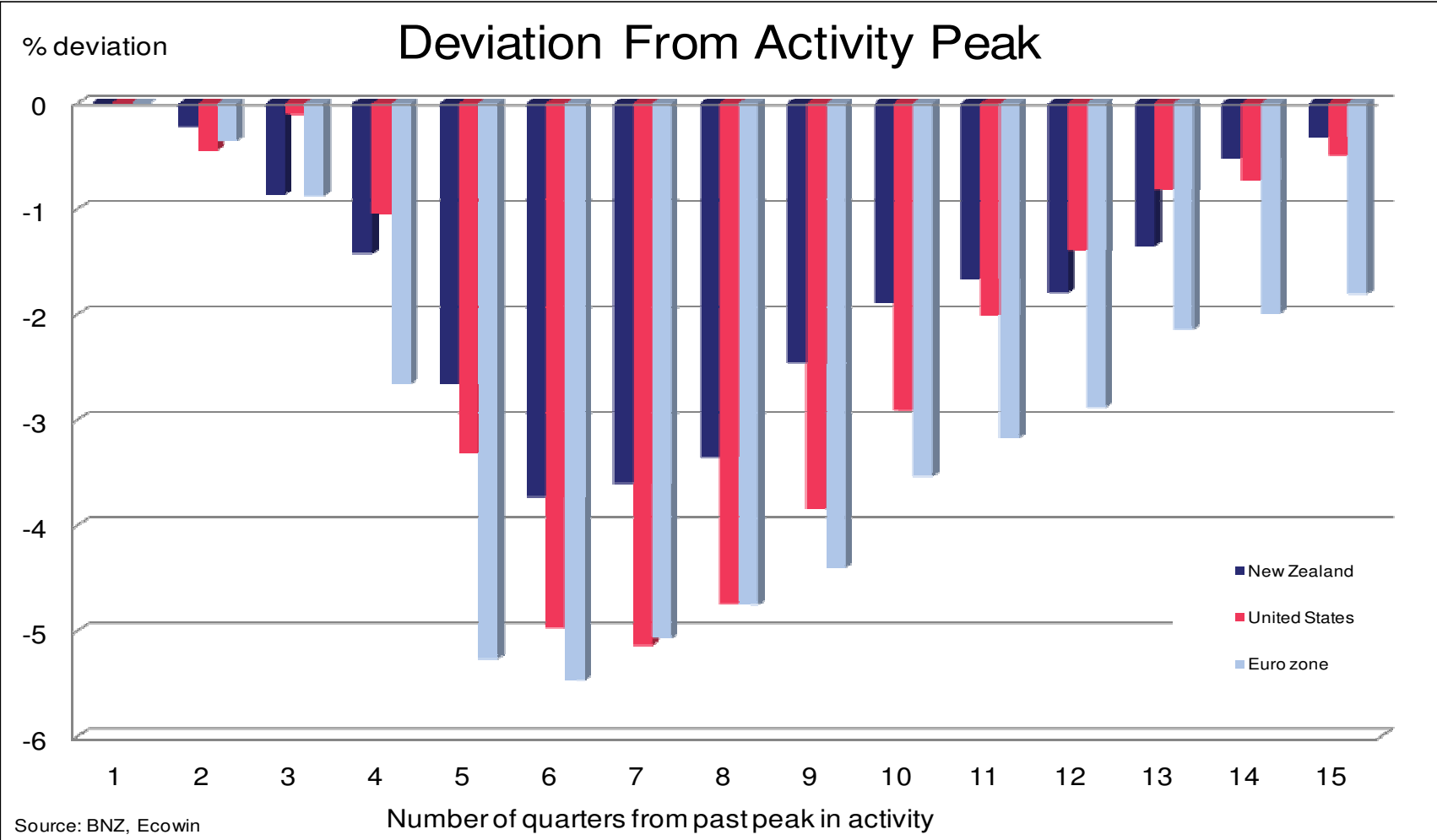
The Pessimists View



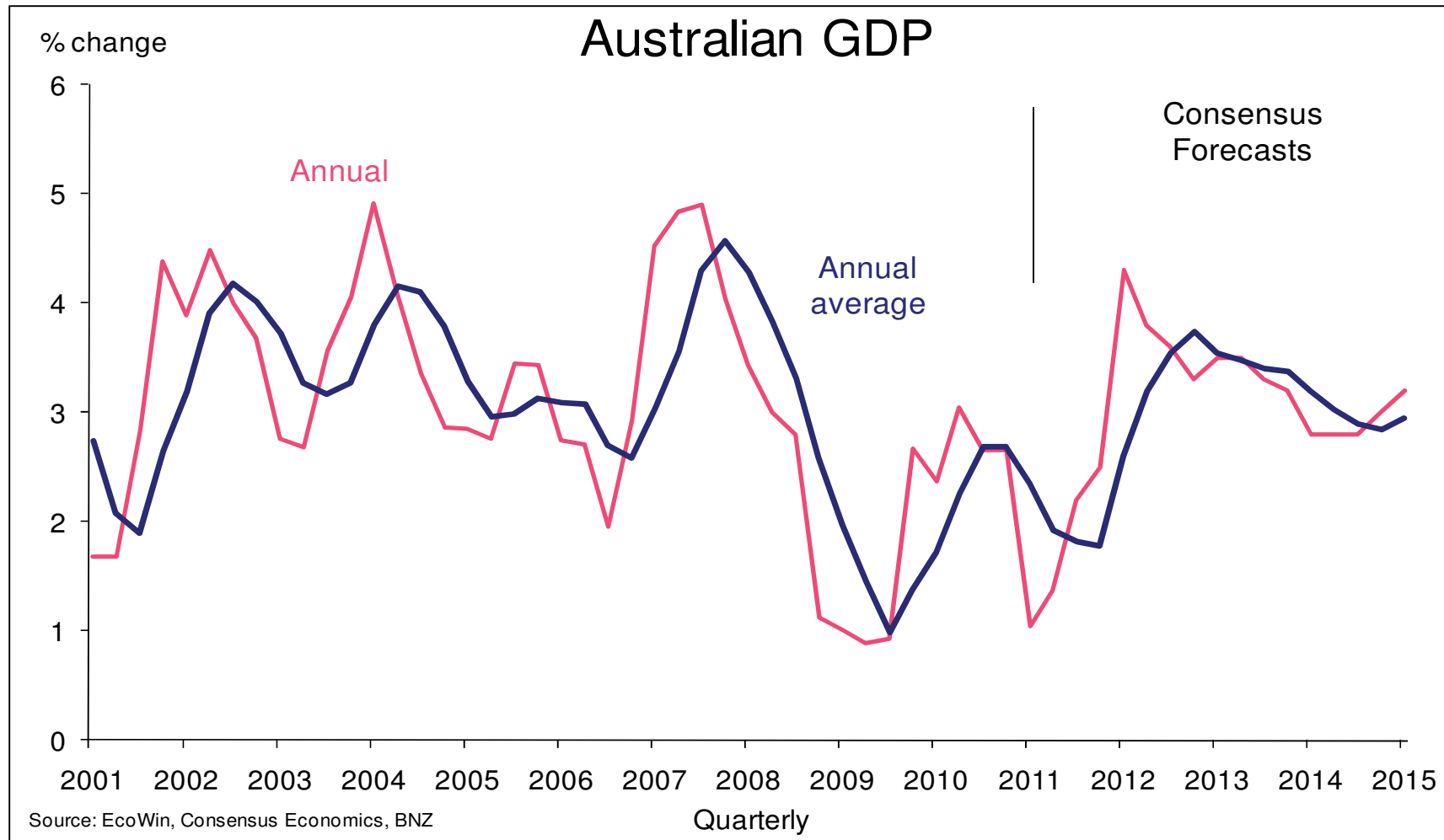
USA-Heads in the Sand



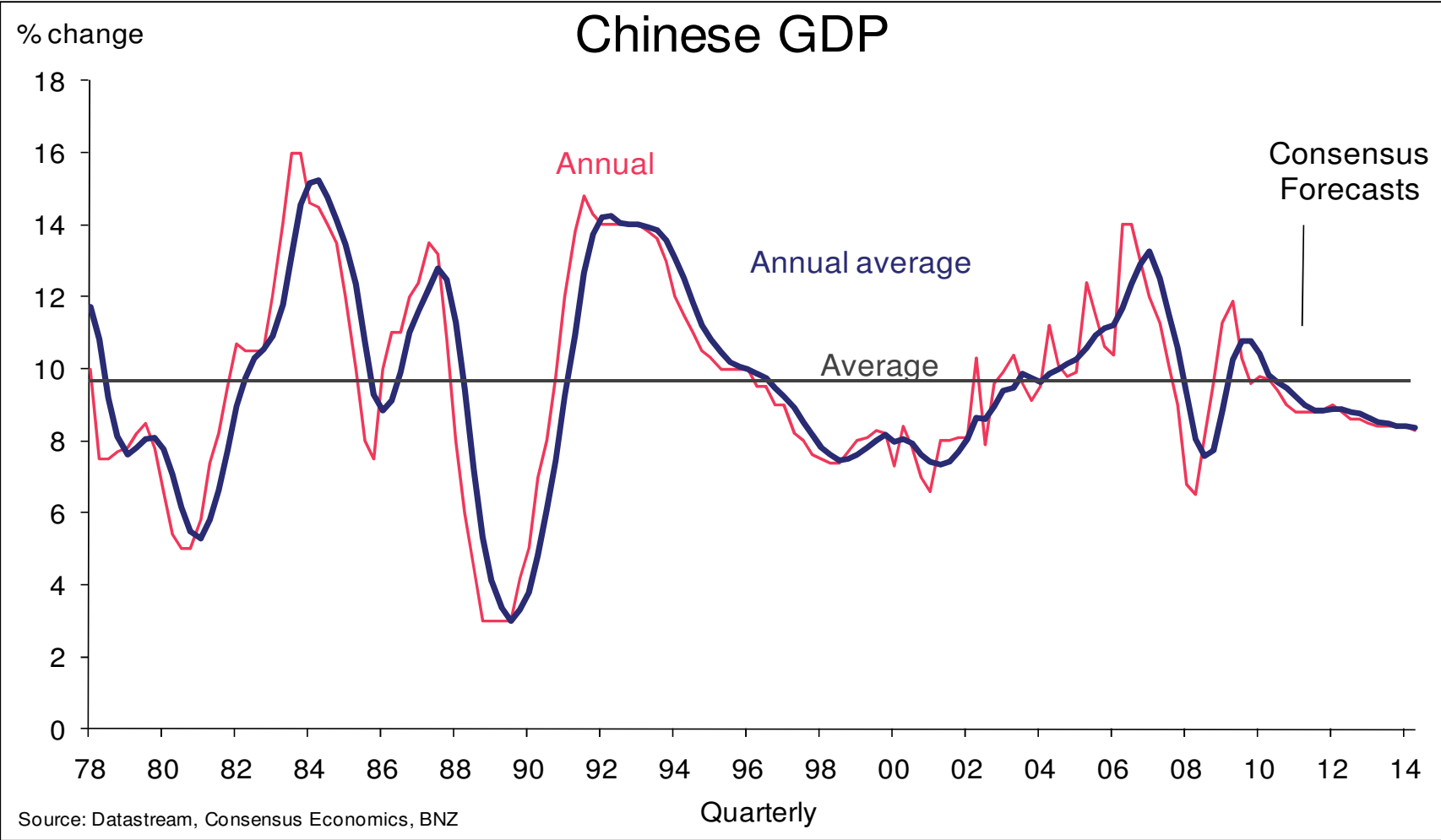
Europe in Deep...



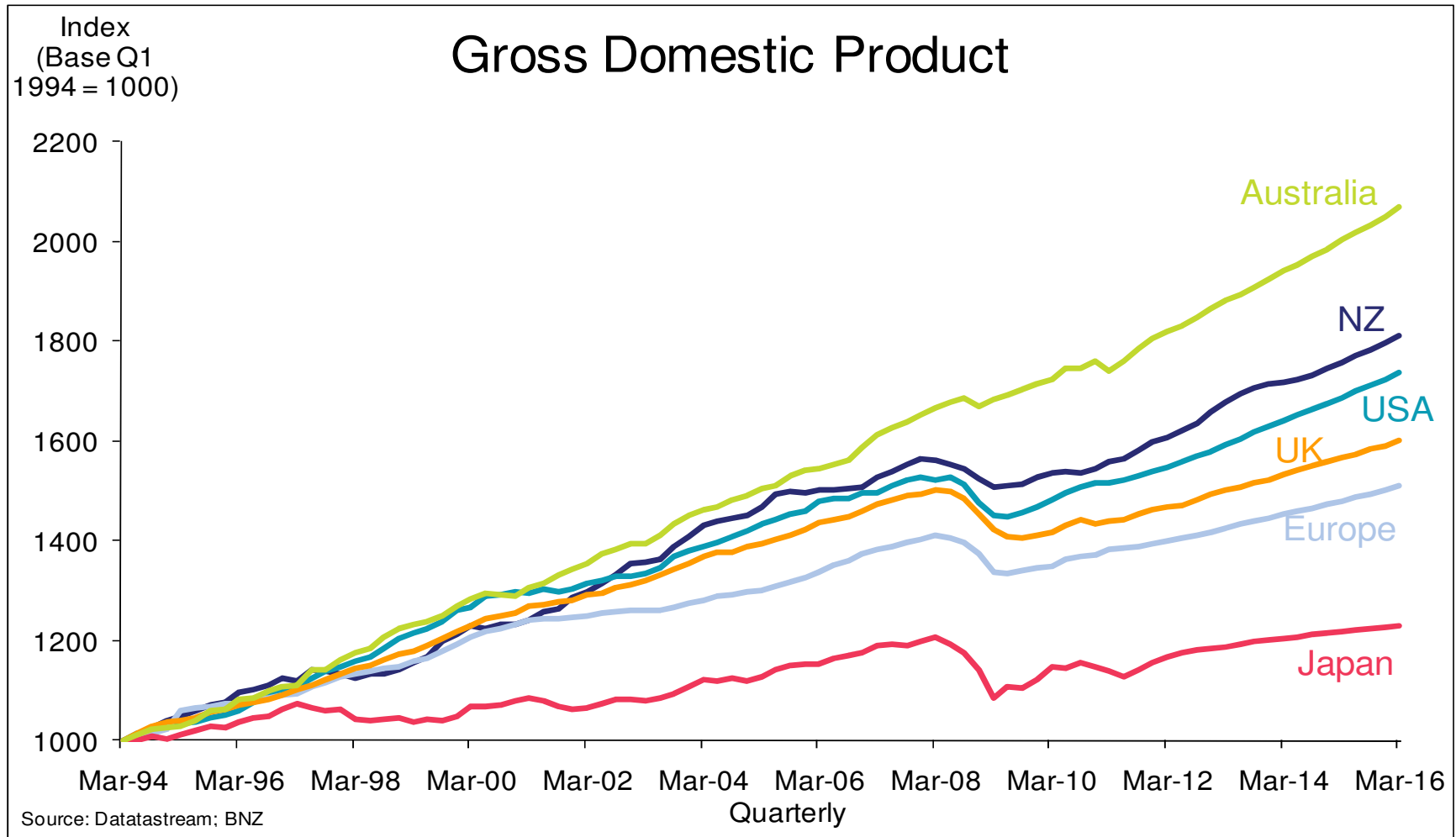
An Aussie Correction?



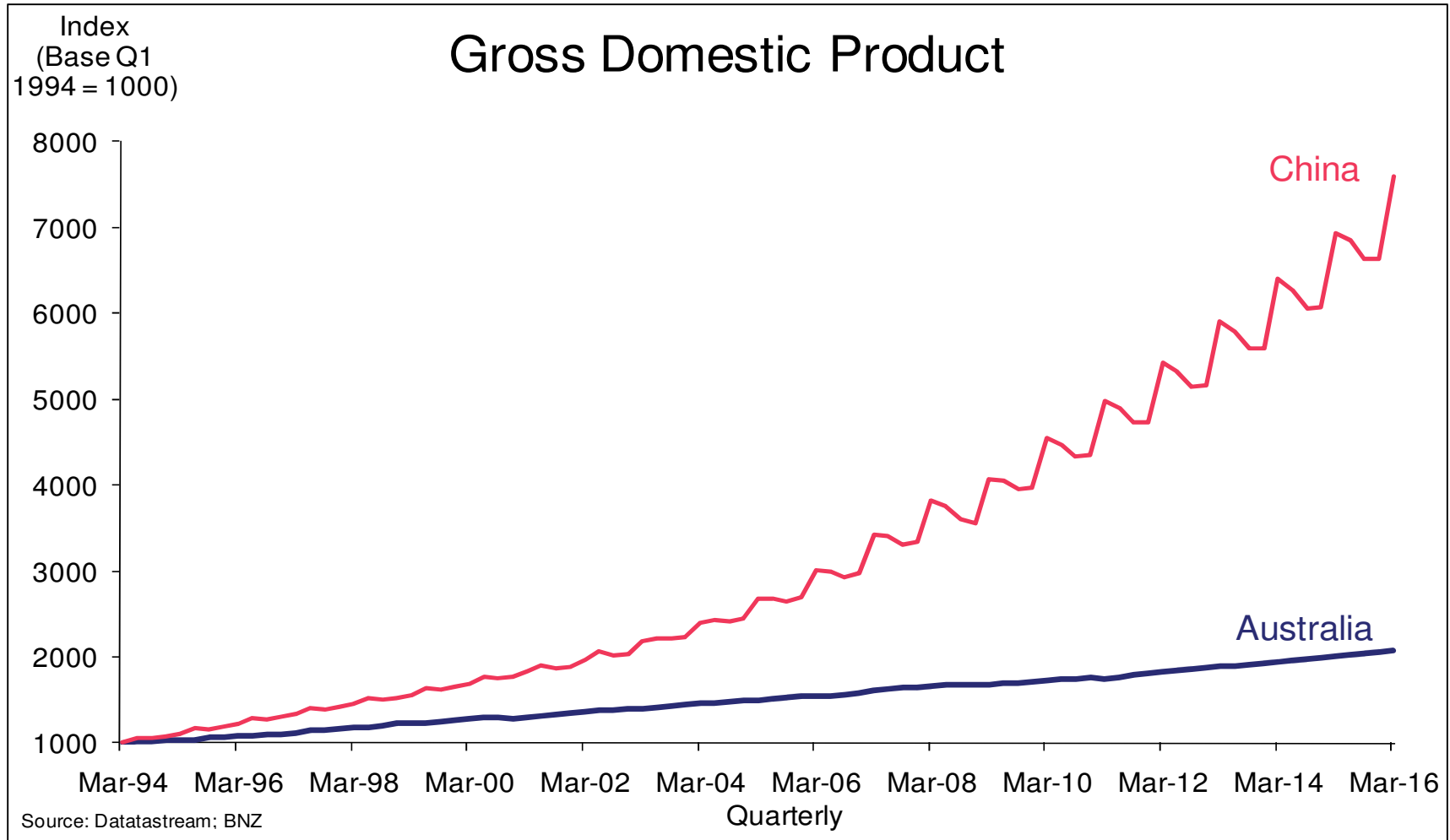
China's Wobbles



The Global Powershift

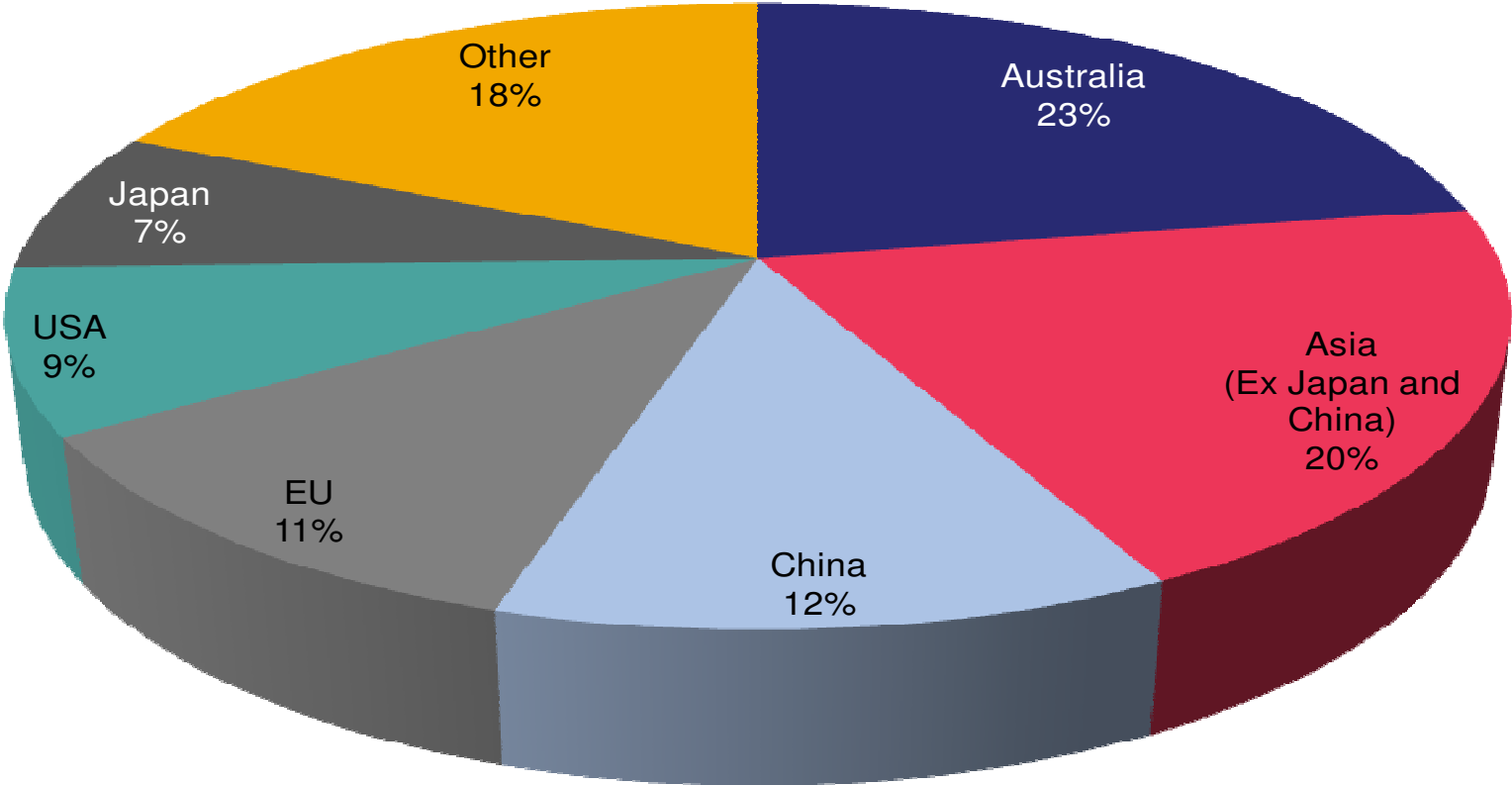


The Real Shift



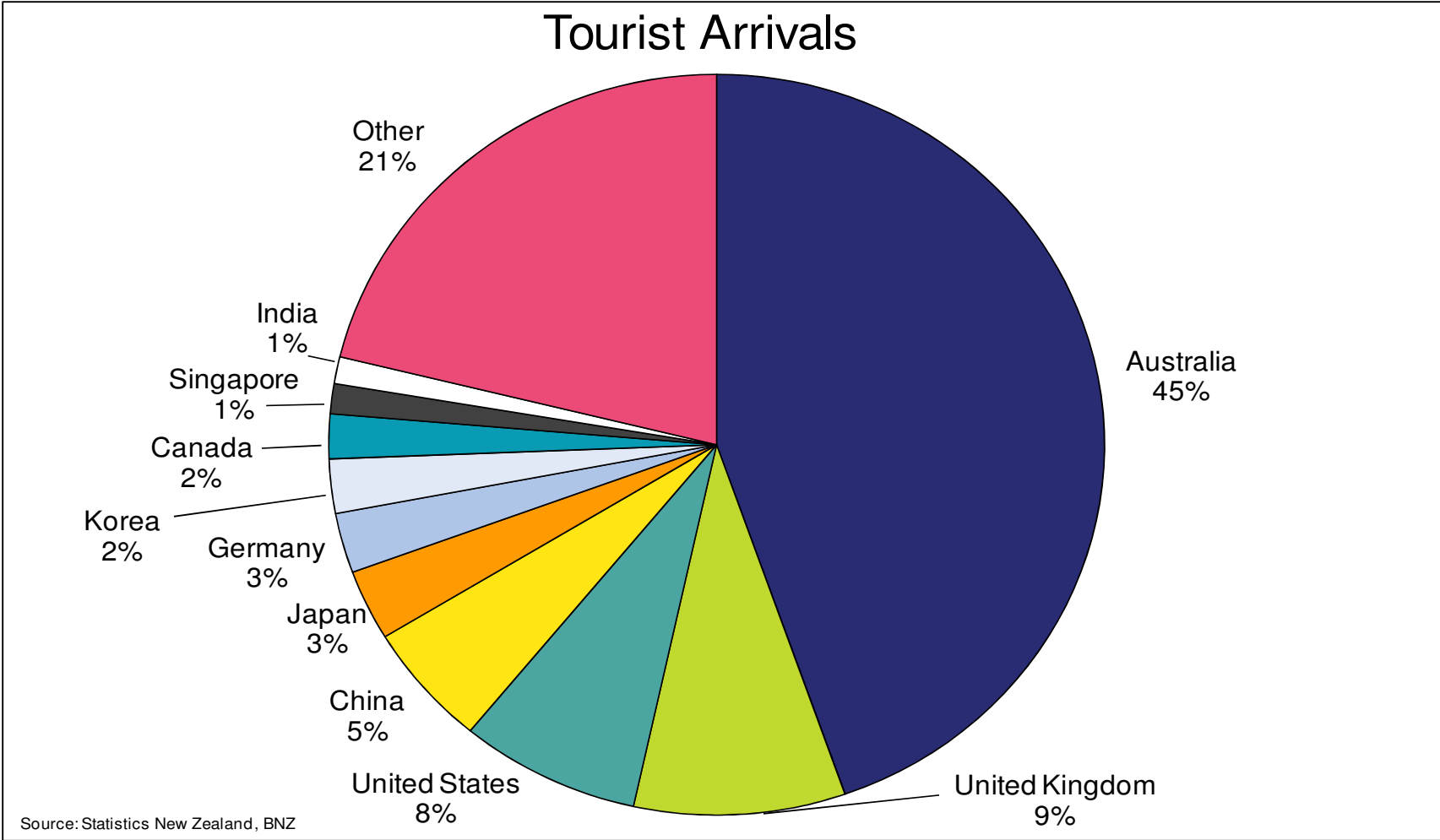
New Zealand's Exposure

Merchandise Exports By Destination



Source: BNZ, Statistics New Zealand

New Zealand's Exposure



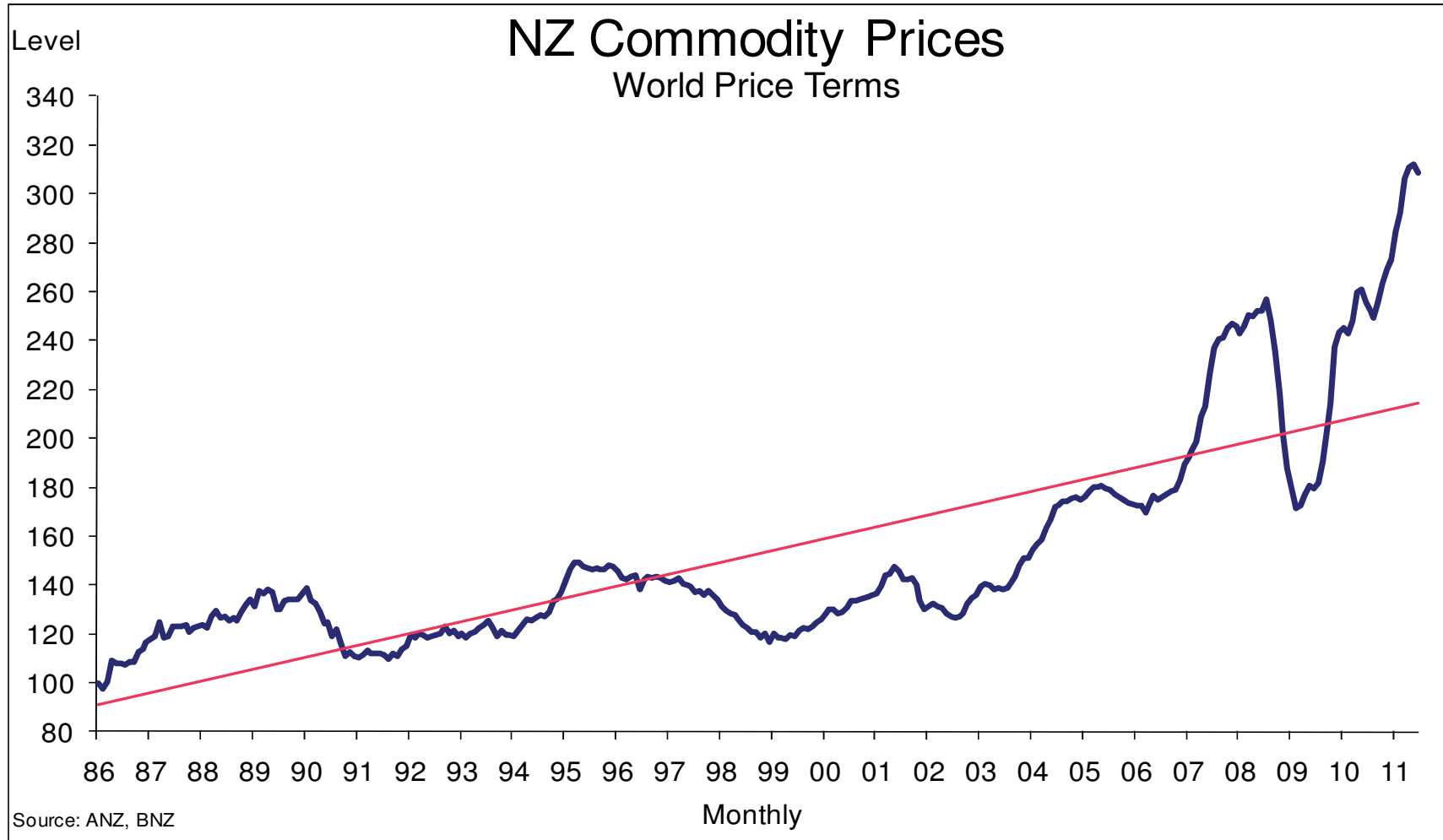
NZ – The “Good” News

- Strong commodity prices
- Export volumes solid
- Income growth positive
- Building cycle to turn up aggressively

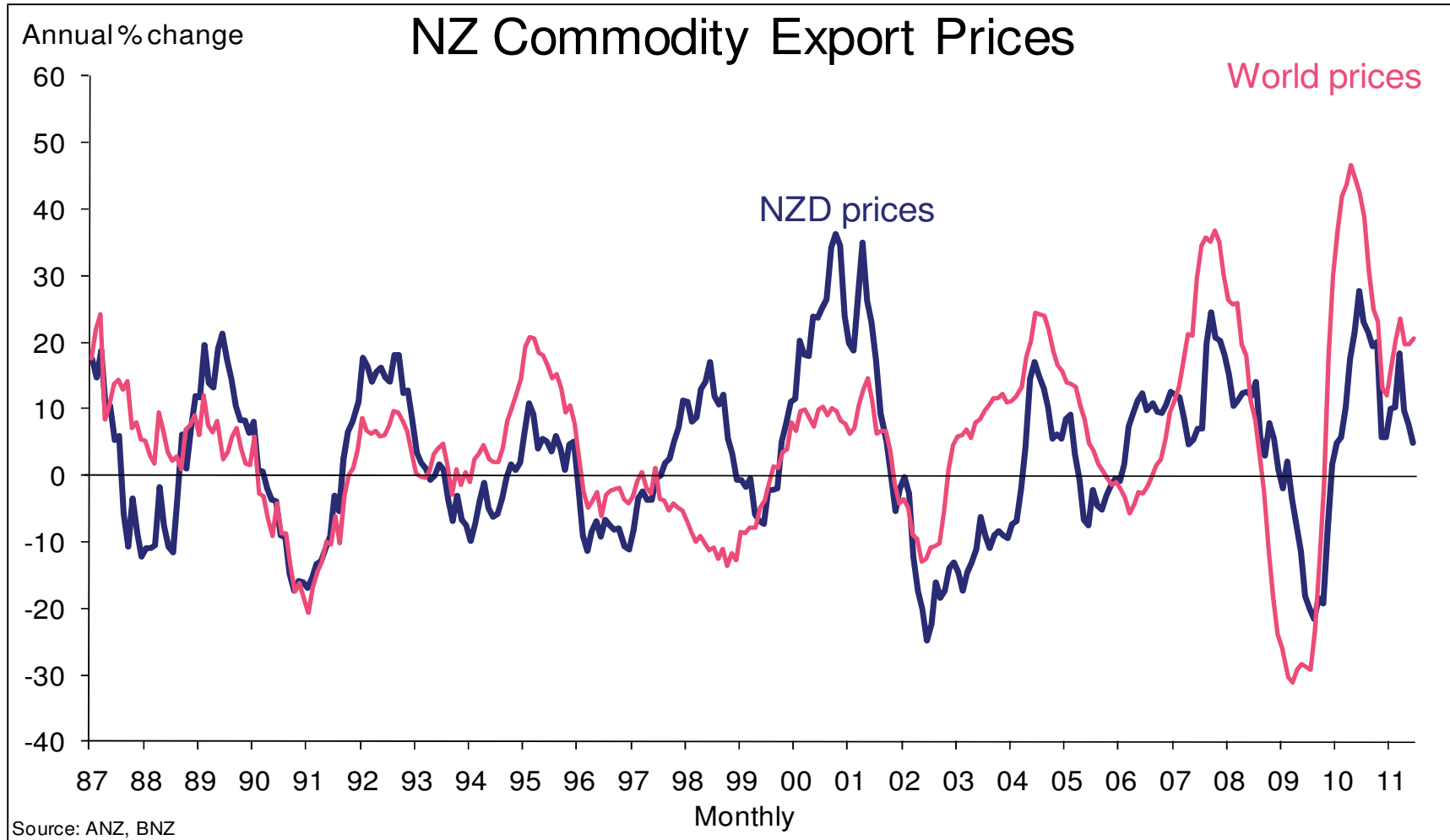
NZ – The “Bad” News

- Commodity cycle to turn
- External accounts deteriorate
- Financial storm clouds brewing
- Capacity constraints bite
- Interest rates headed higher

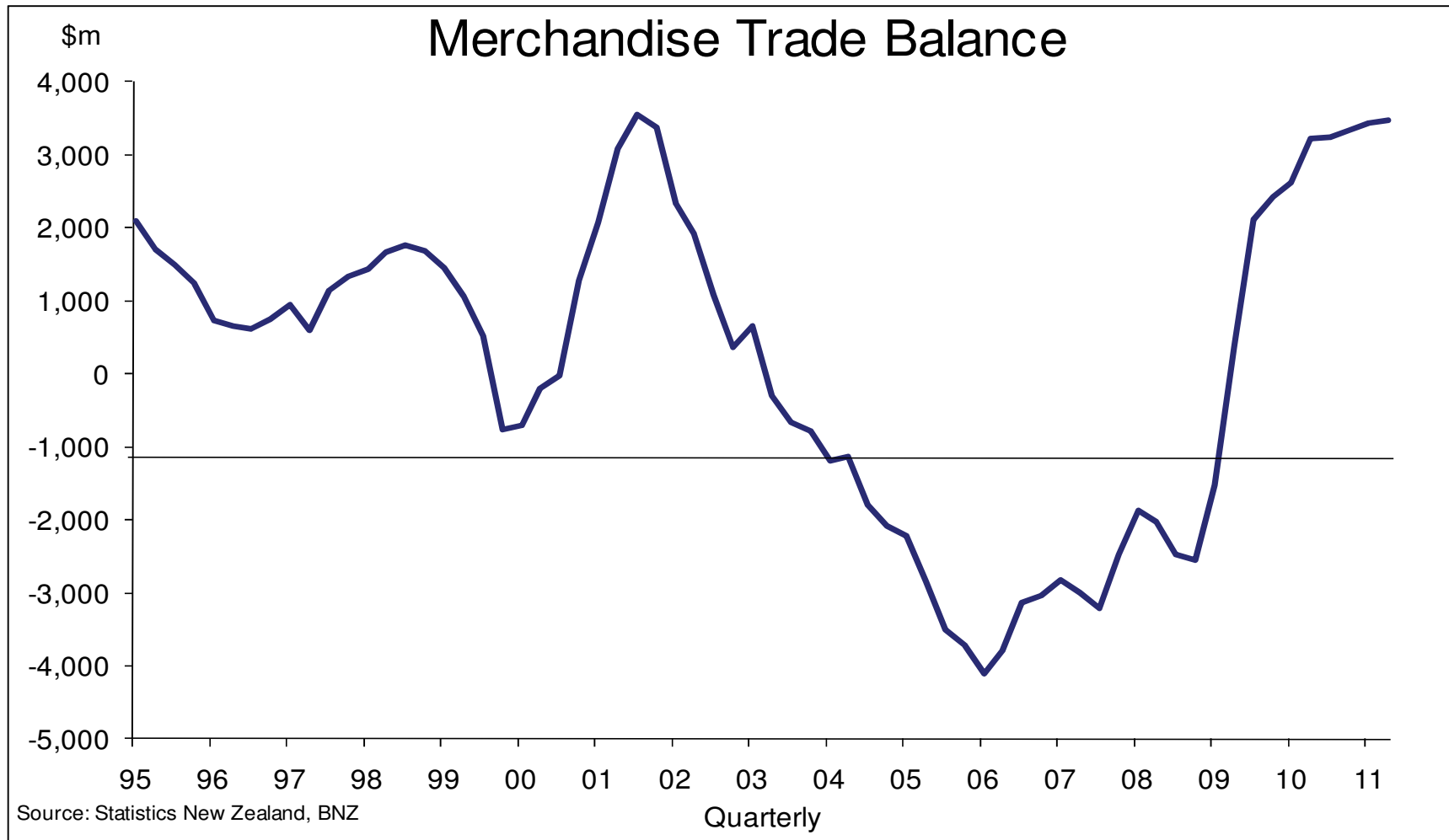
Commodity Prices – The Trend



Commodity Prices – The Cycle



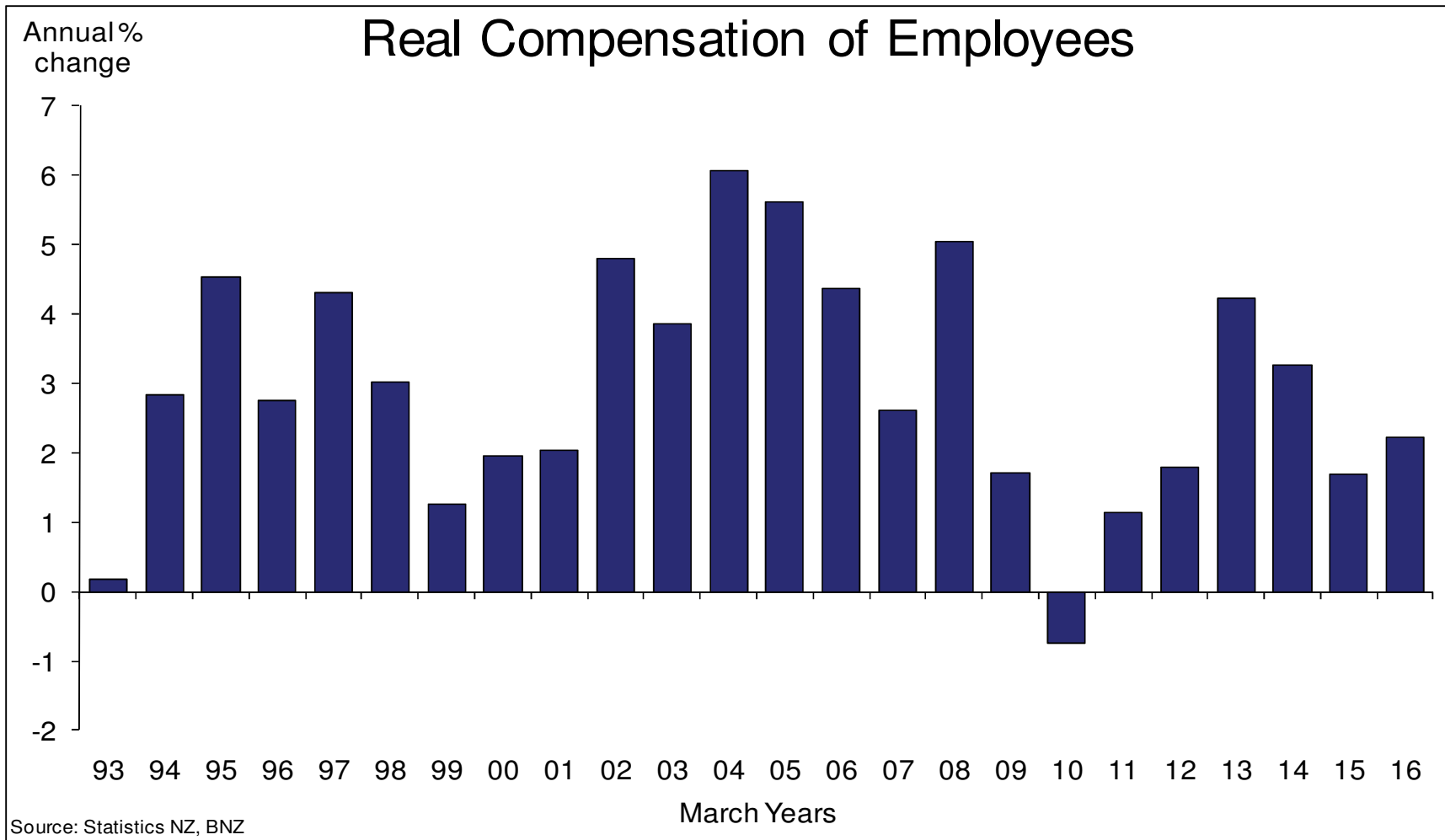
A Trade Improvement



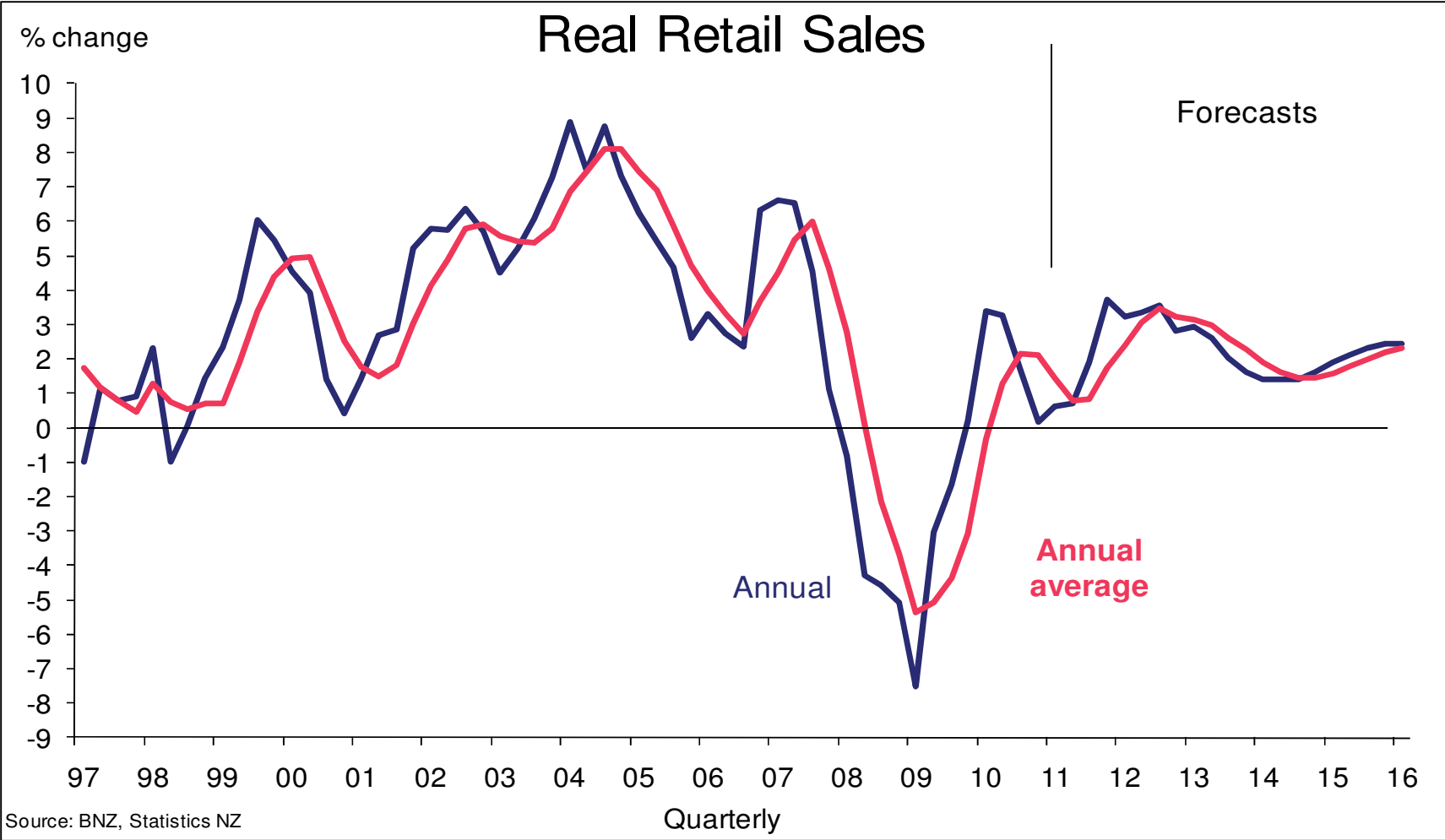
But For How Long

- Meat good
- Dairy
 - Prices peaked
 - A supply response
 - A demand response
- Kiwifruit – from great to PSA
- Forestry – global construction soft

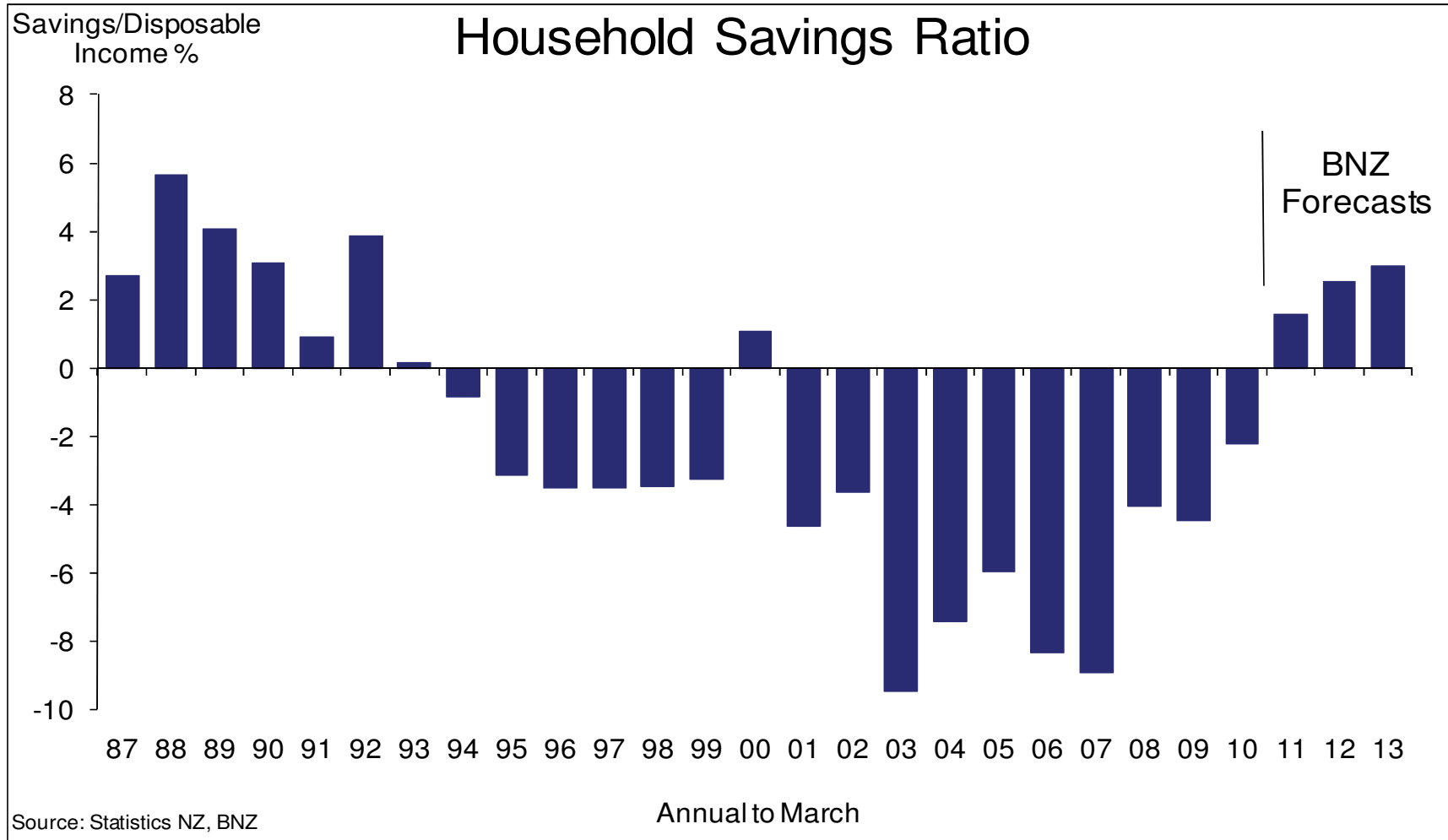
Income Growth OK



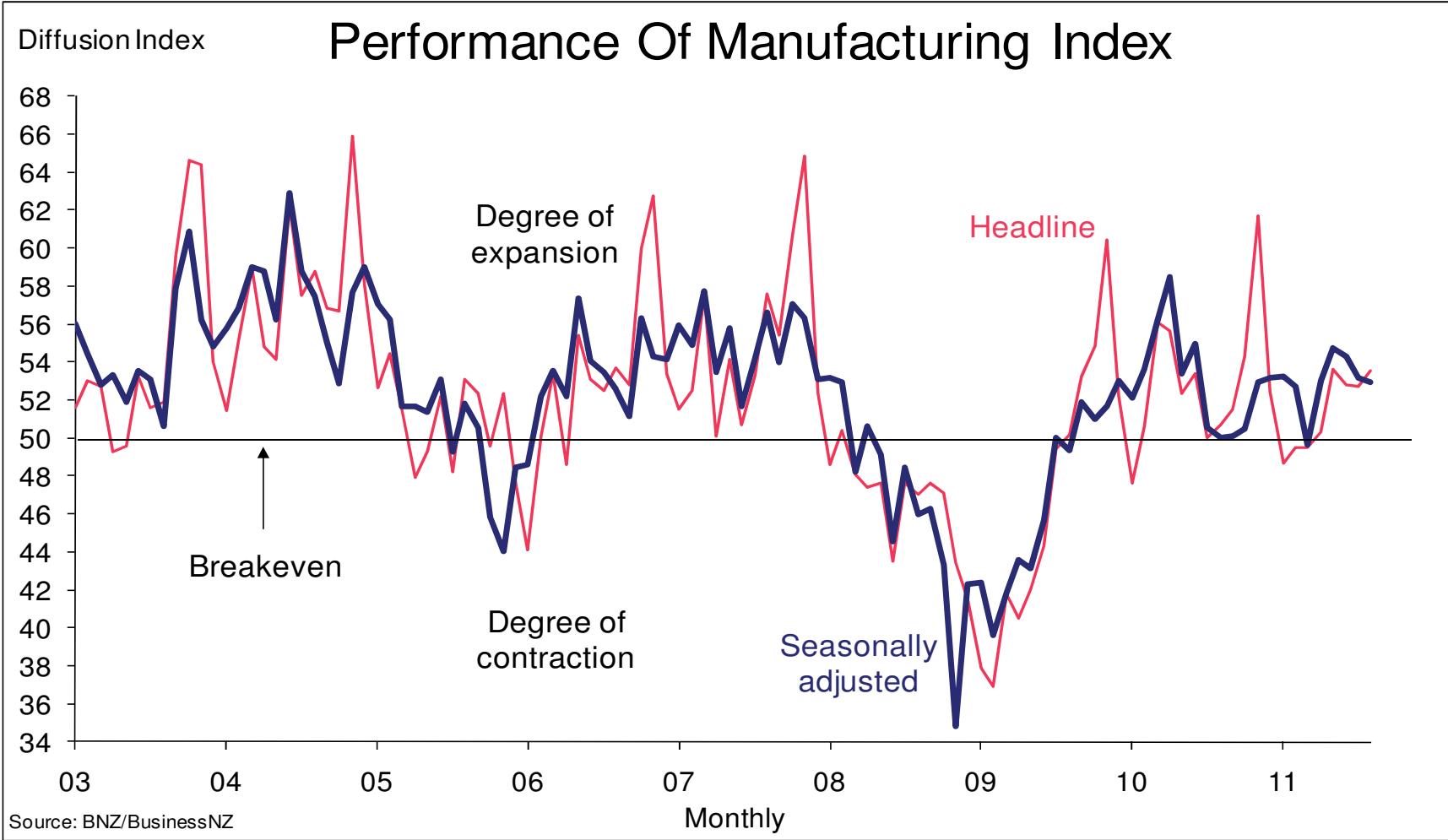
So Retail Okay



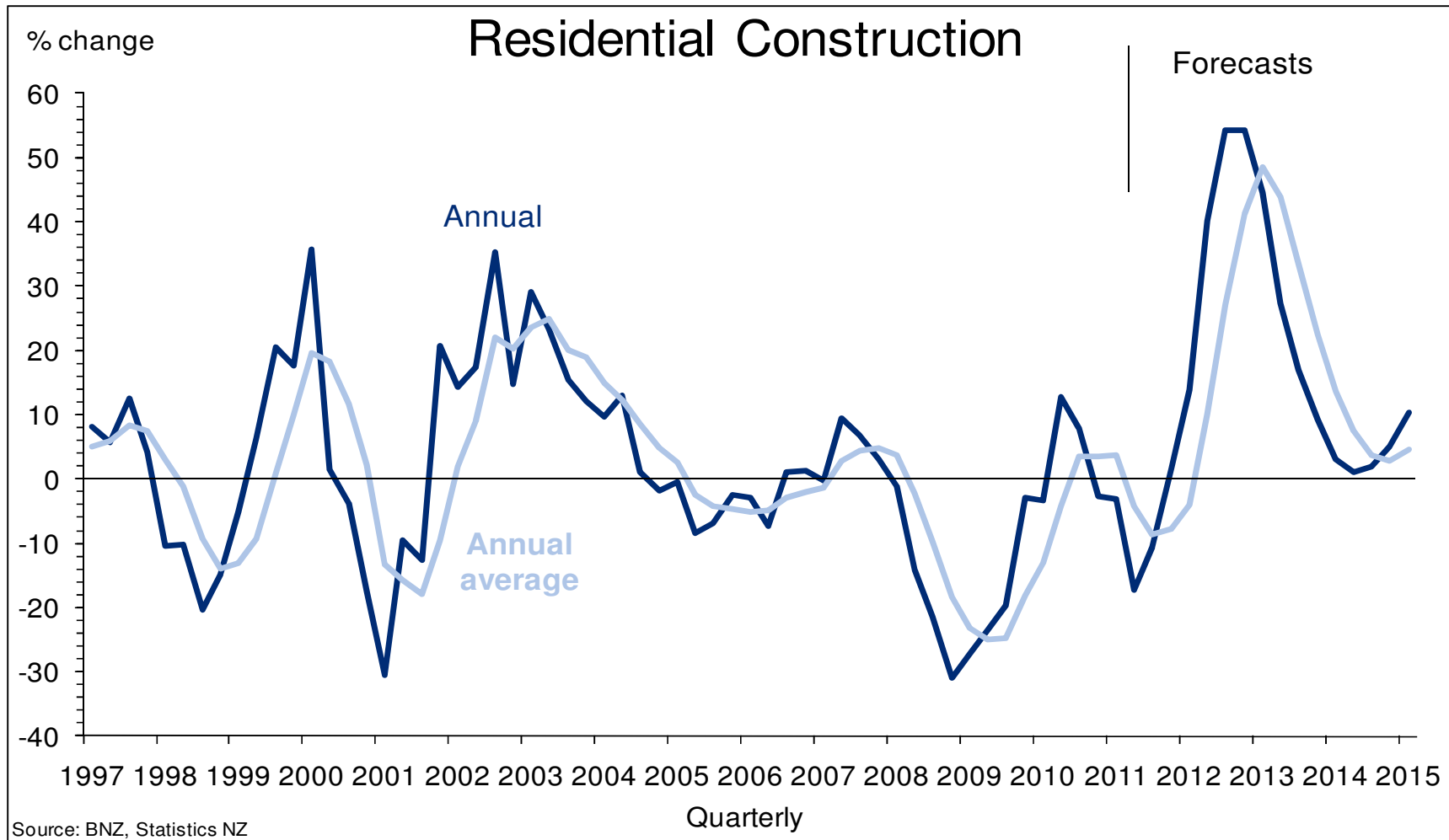
Despite Household Behaviour Changes



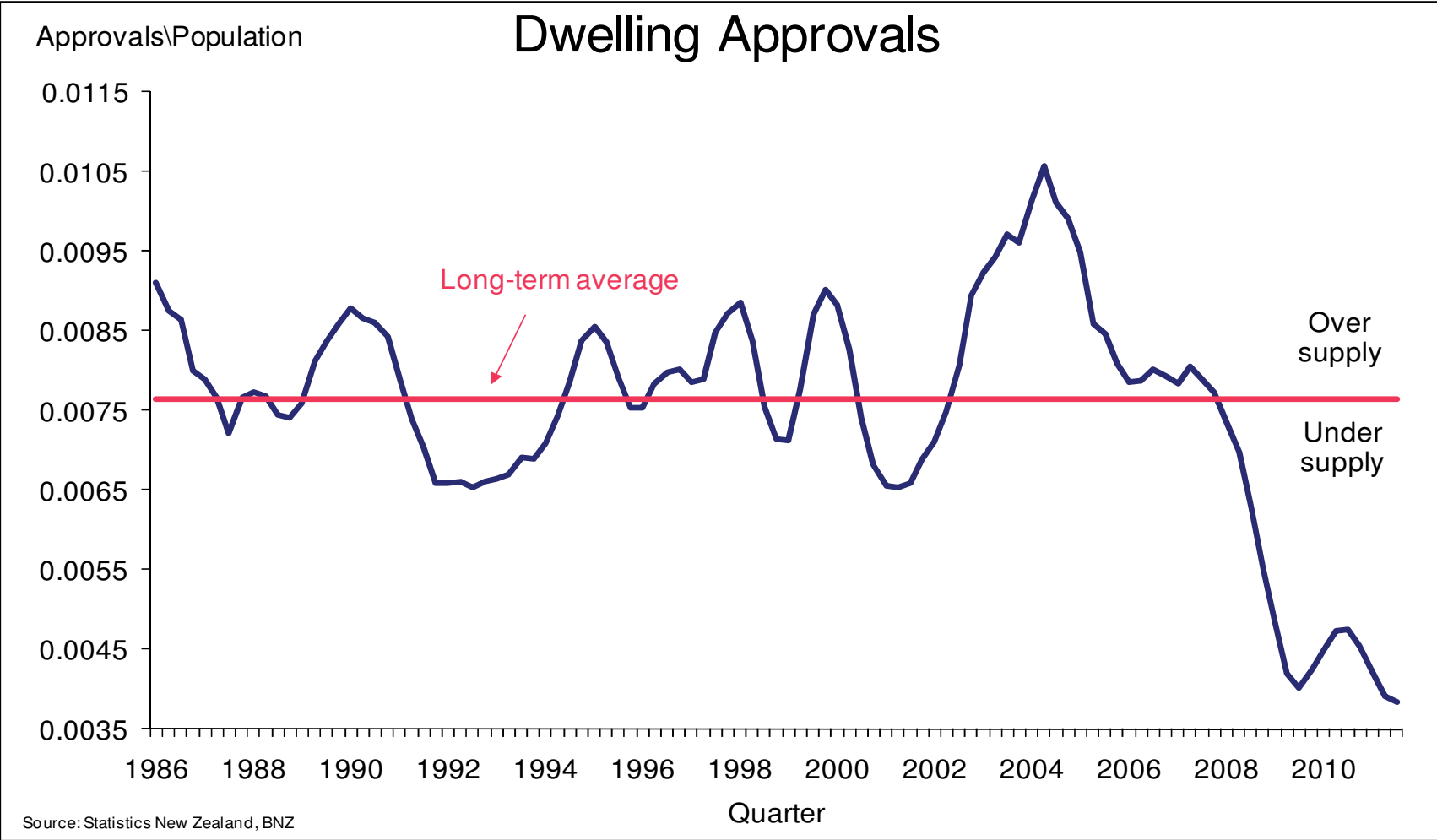
Manufacturing Stable



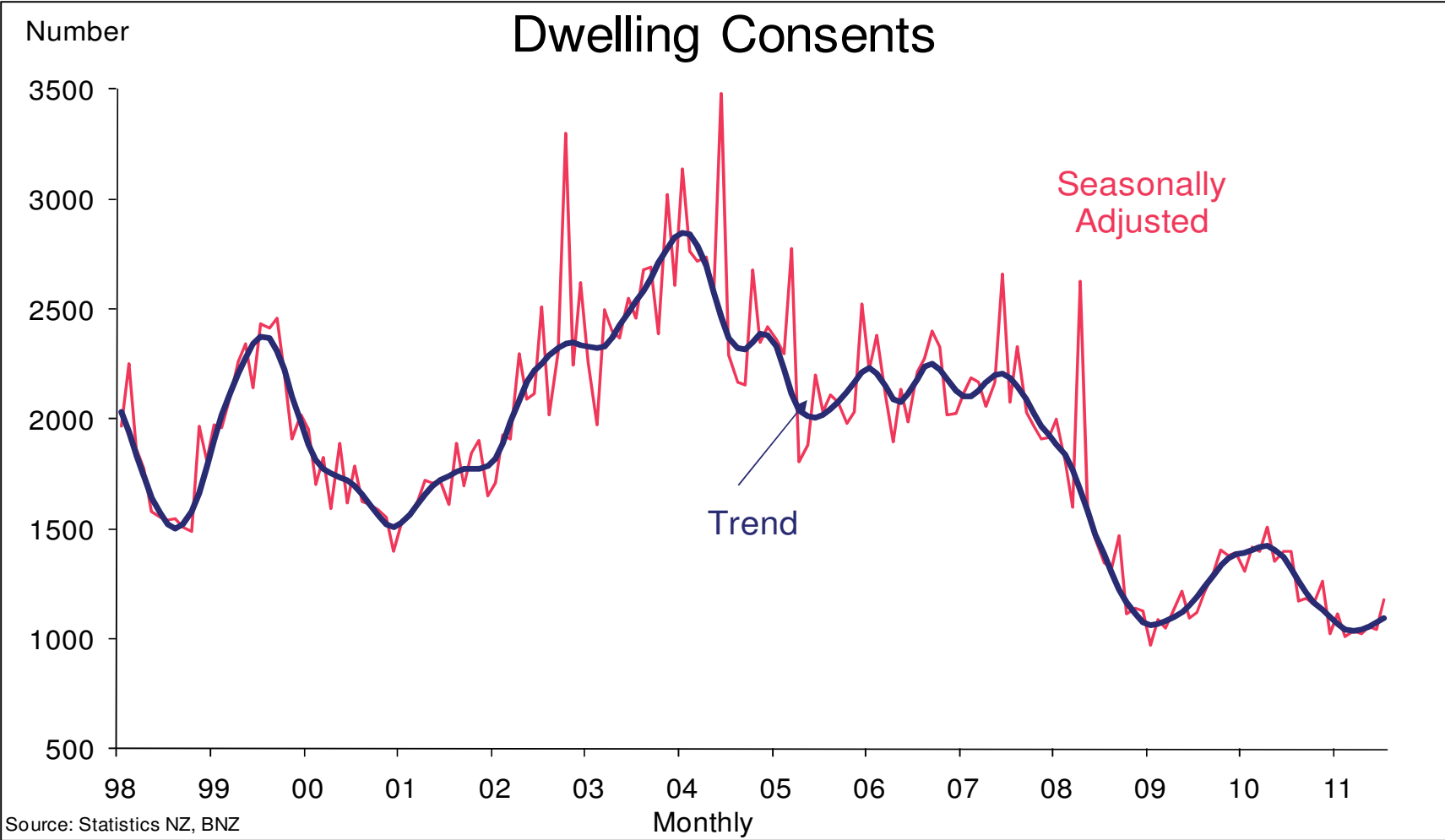
A Construction Boom!



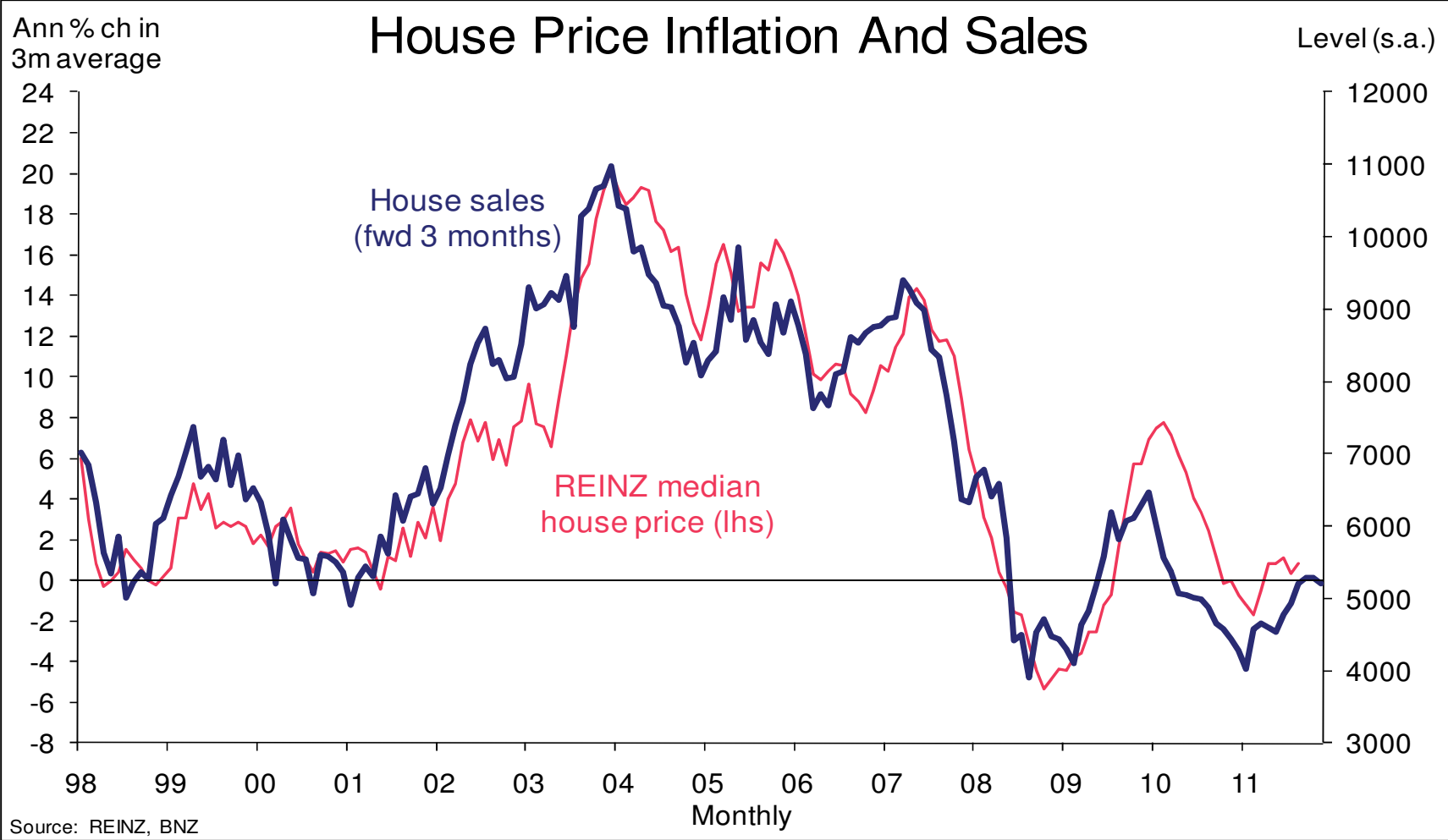
Quake or No Quake



Changes Afoot



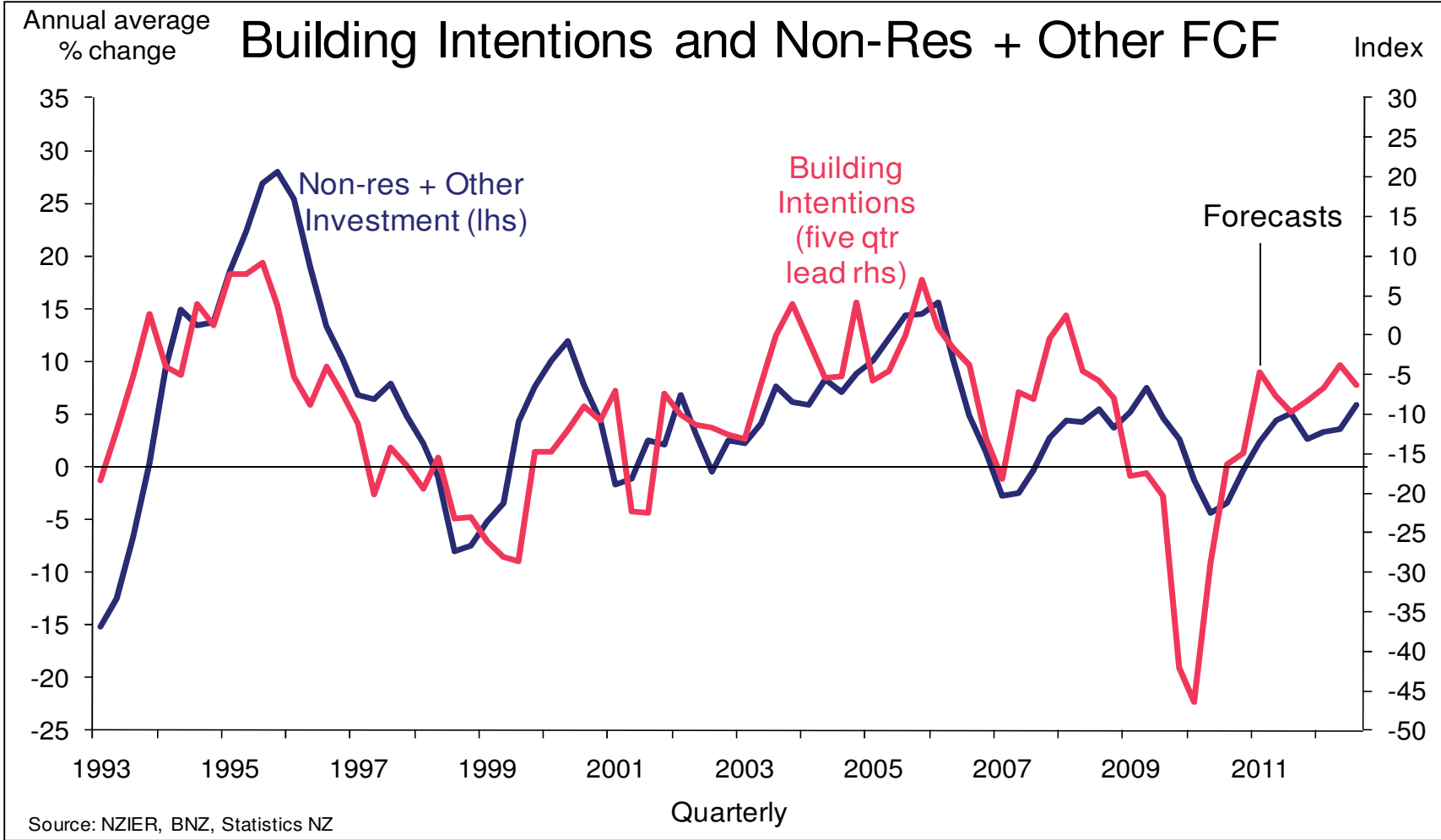
Changes Afoot



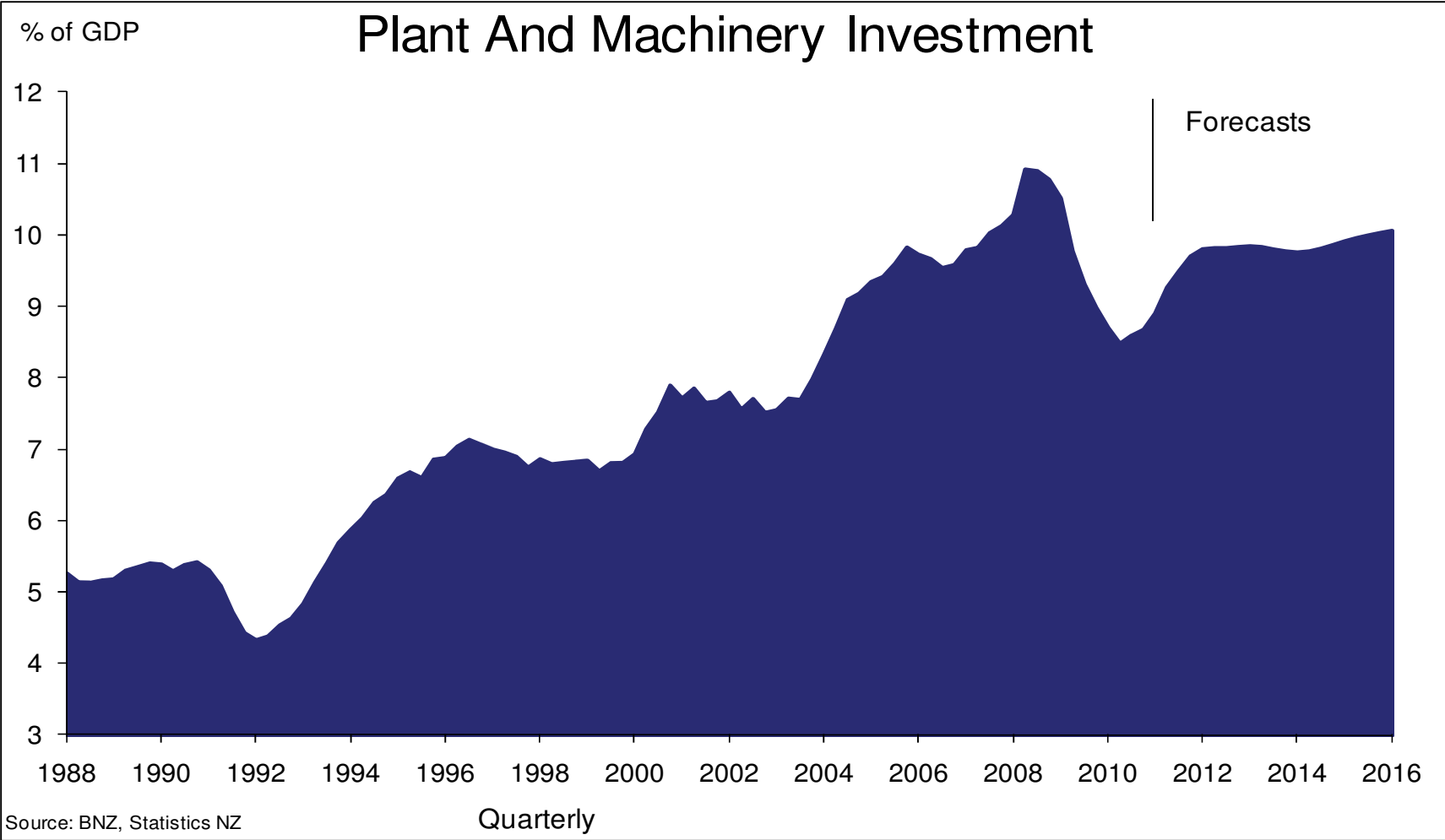
Changes Afoot



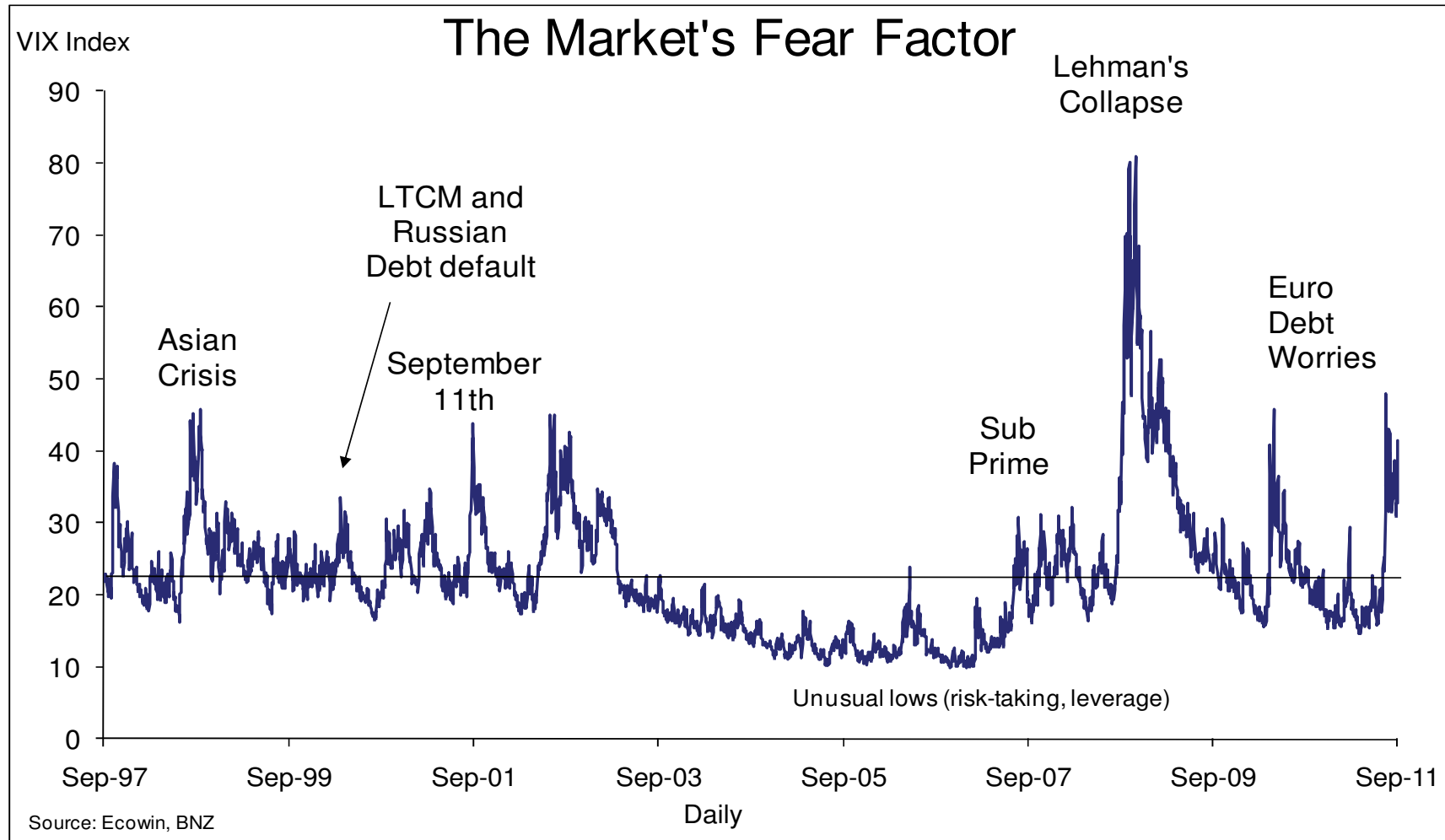
Non-res Building OK



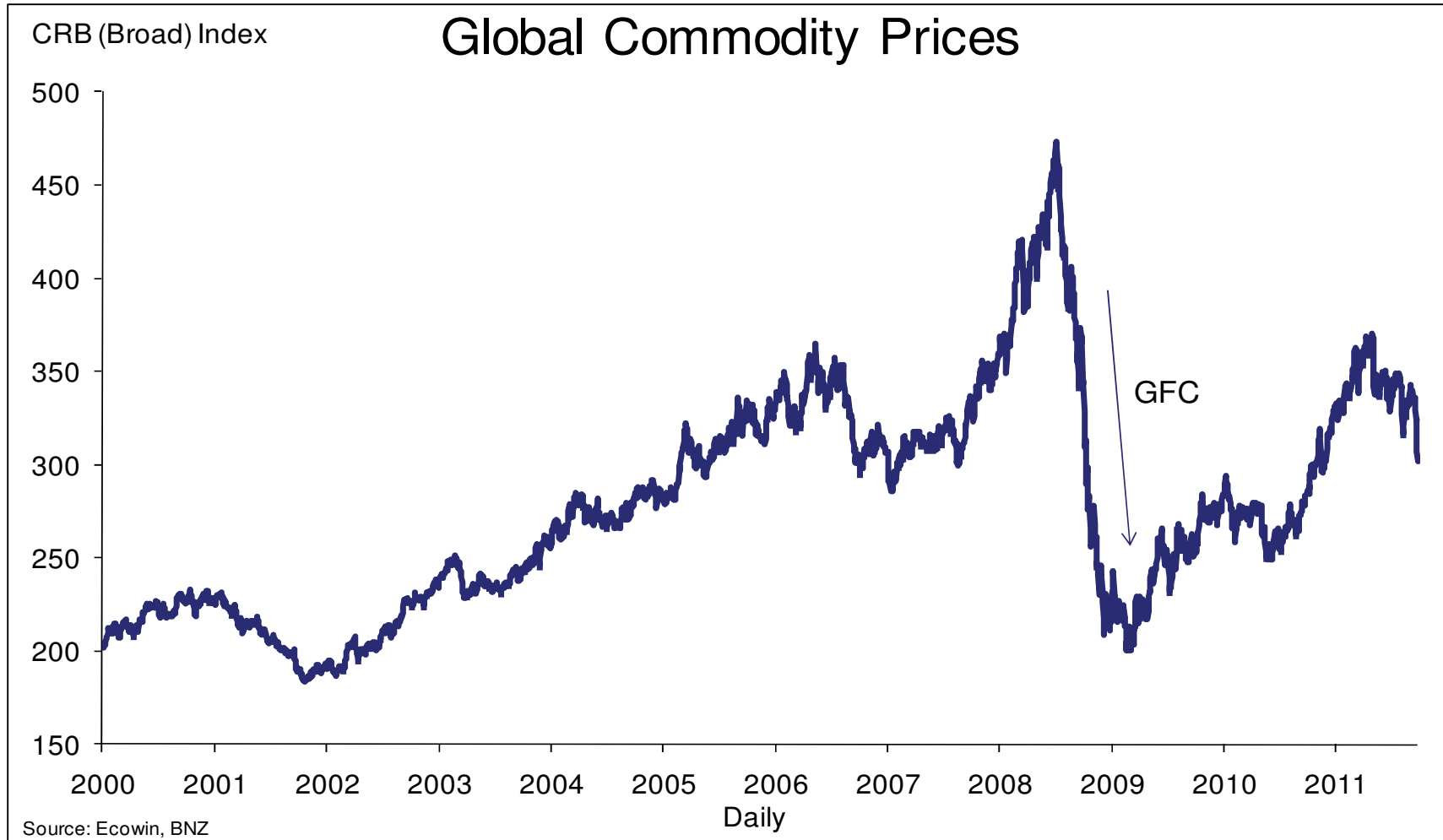
P&M Unexciting



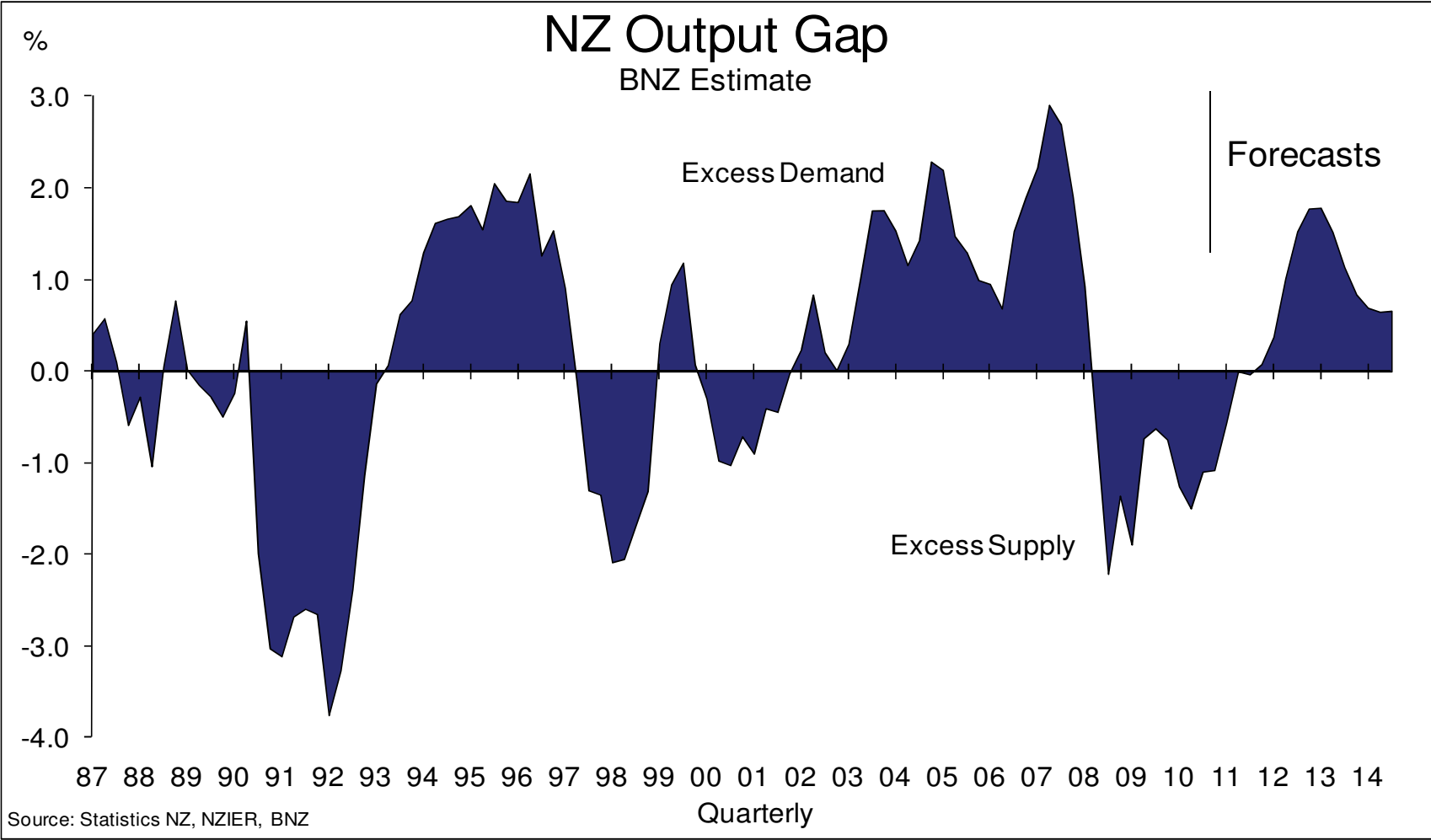
Storm Clouds Brewing



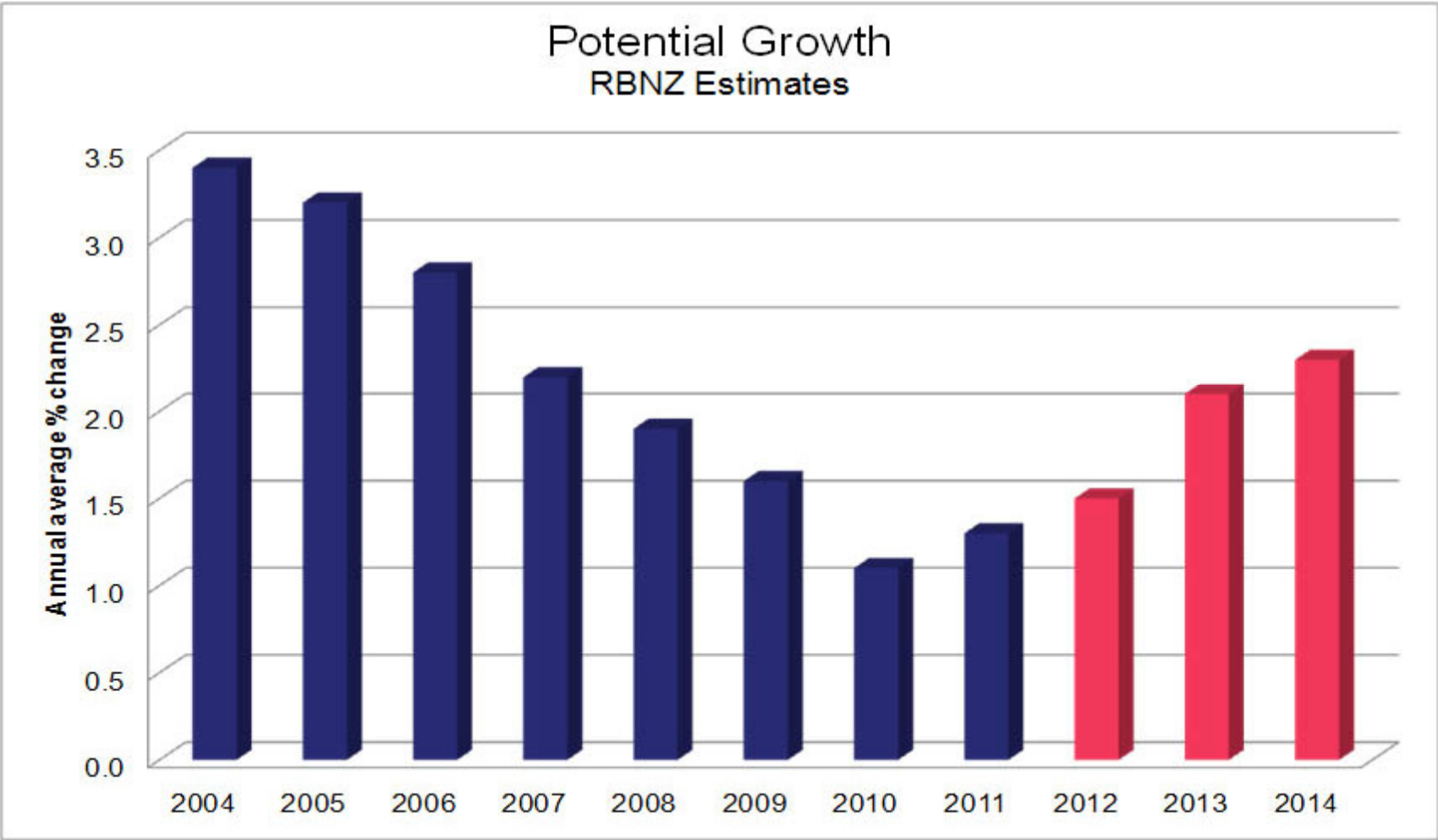
Commodities Falling



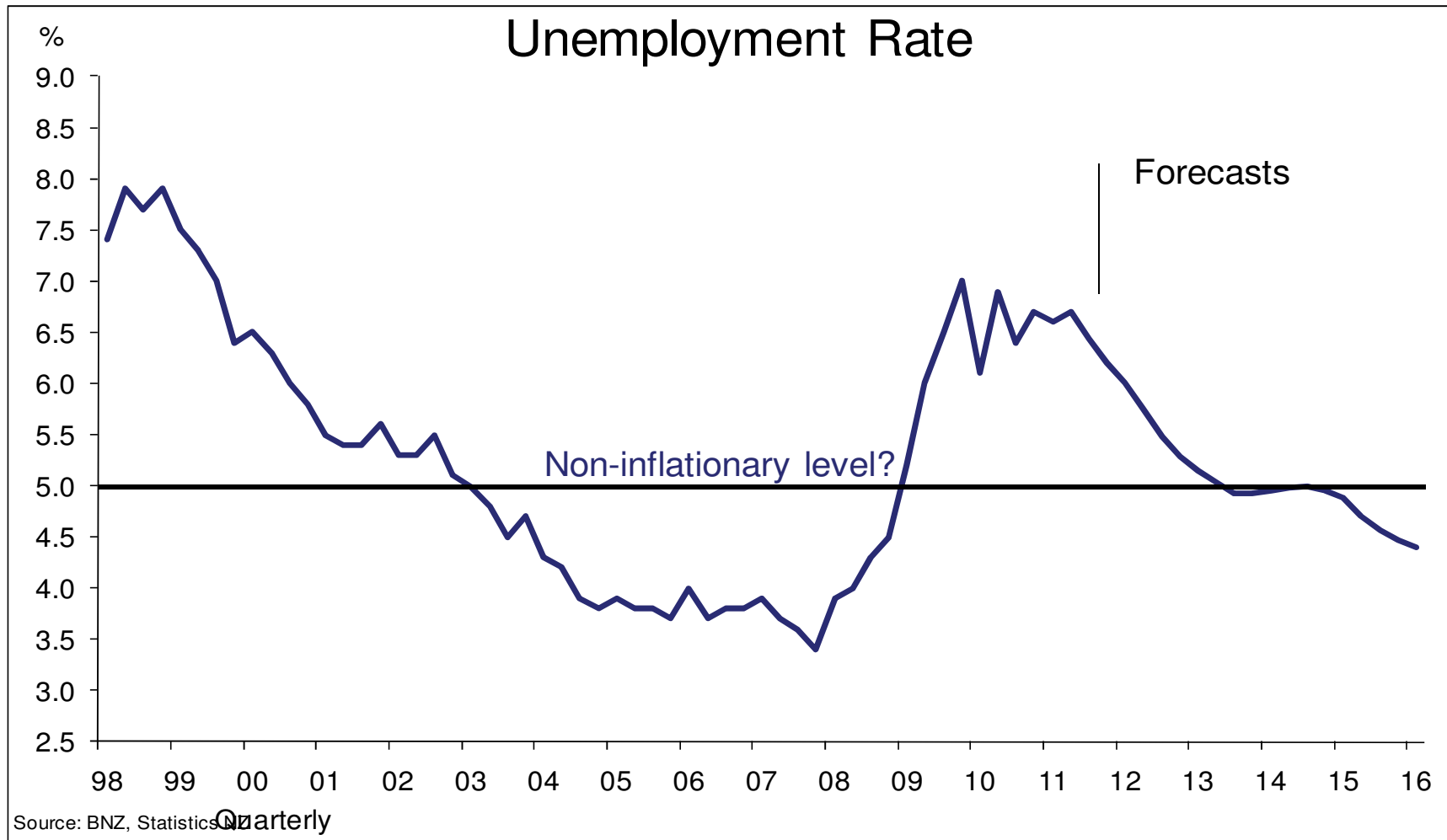
Capacity Constraints Concern



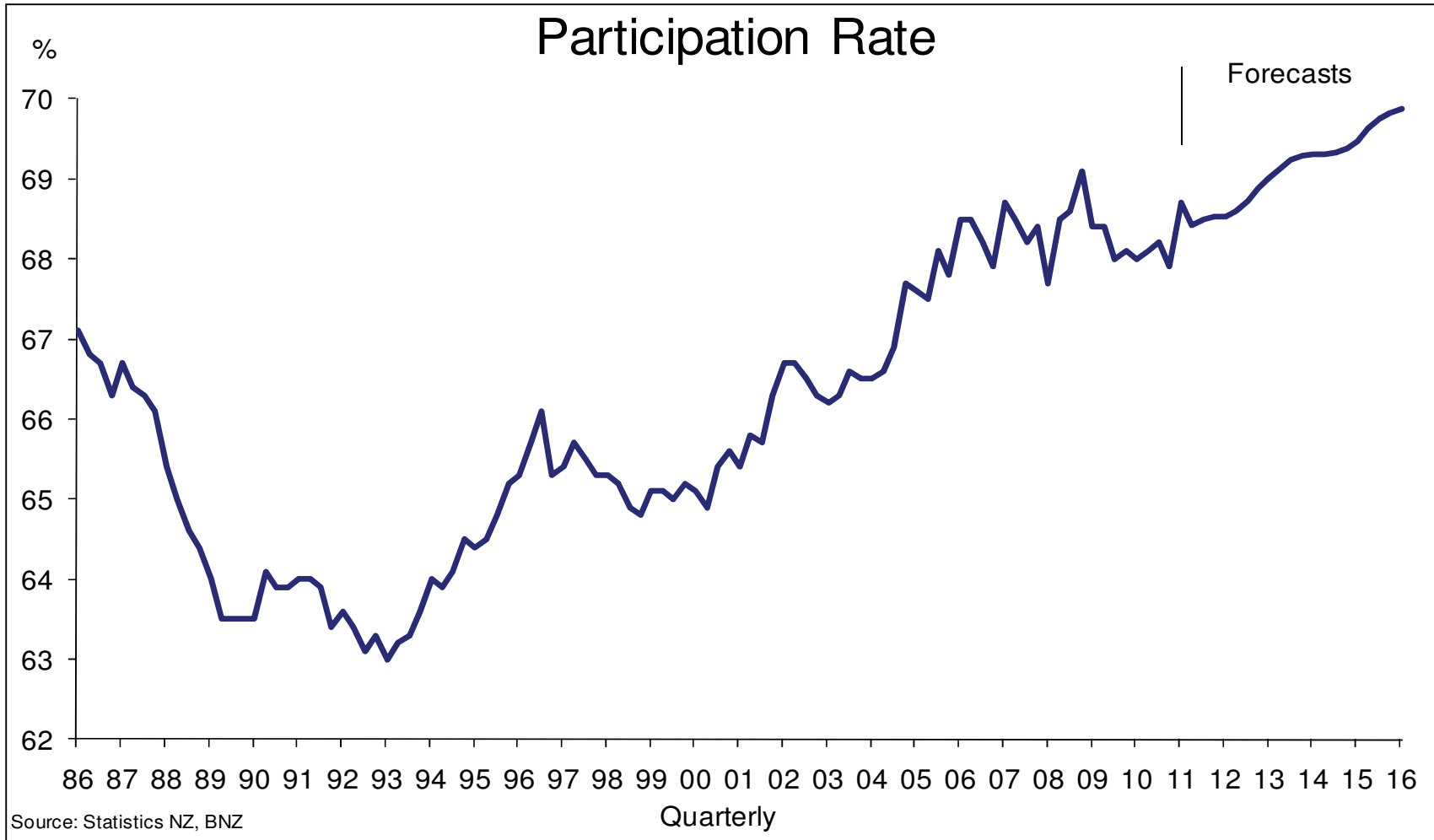
Potential is Low



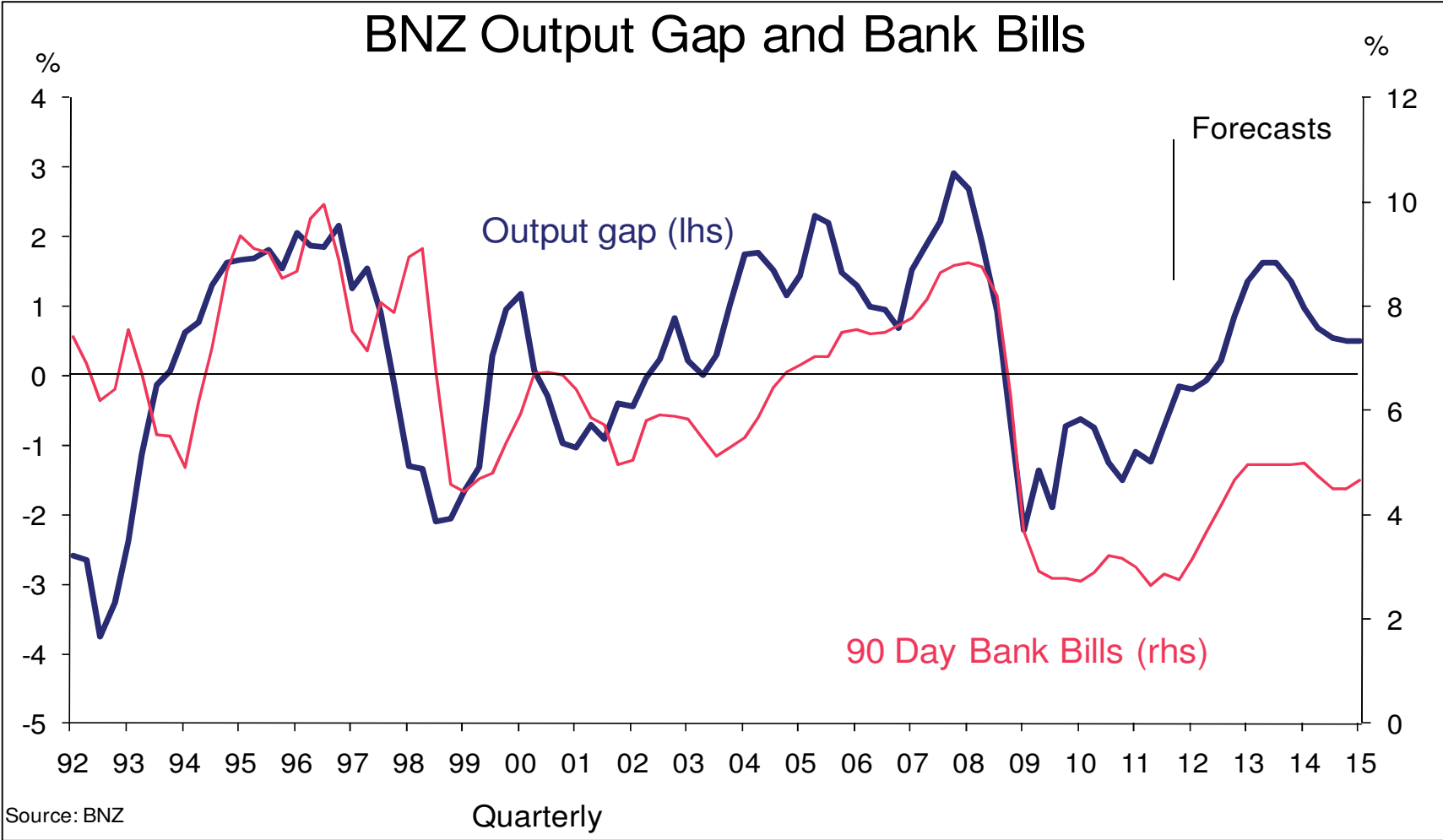
And Unemployment is Set to Fall



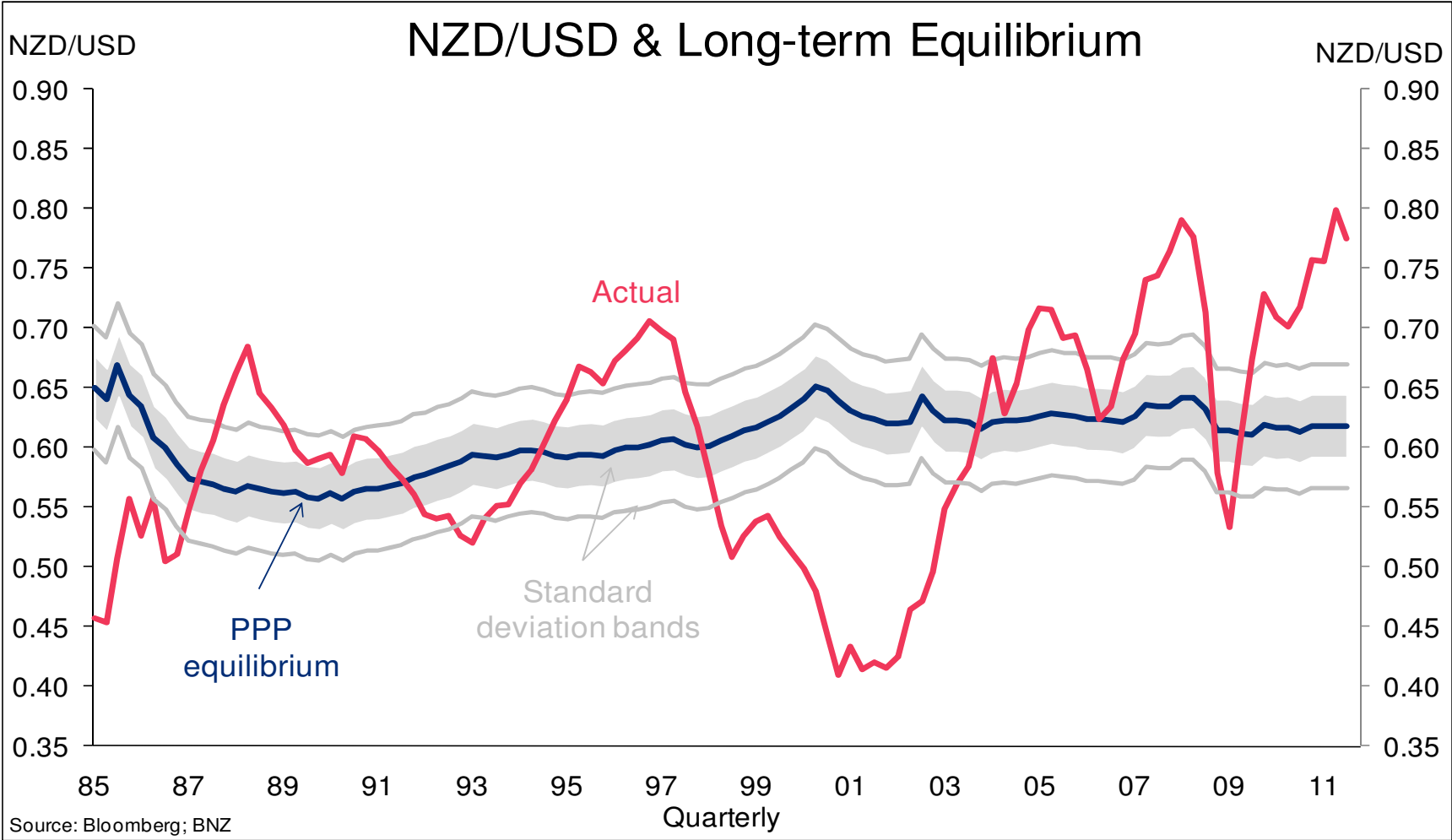
Despite Soaring Participation



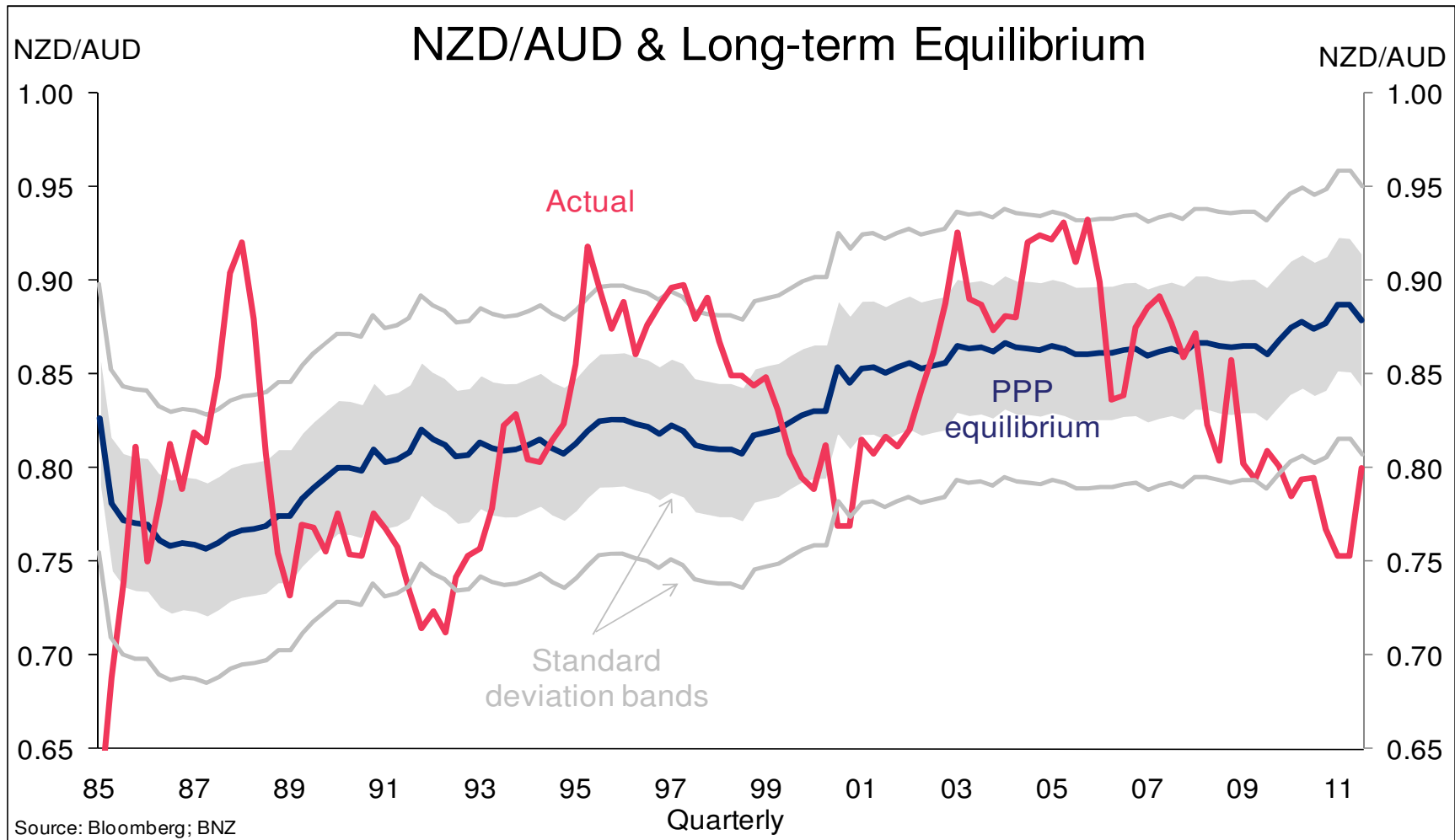
So Cash Rate Pressured



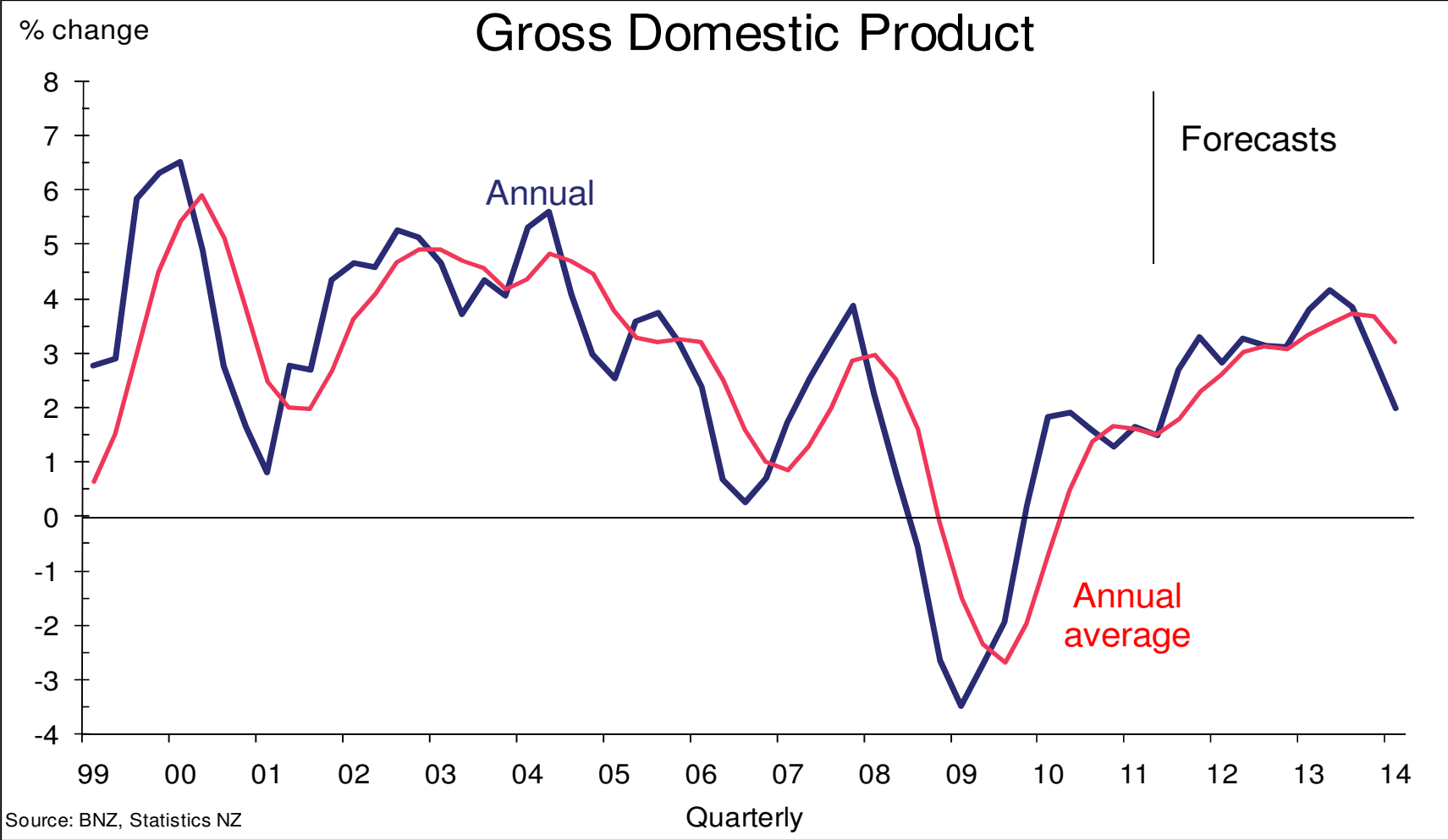
NZD Topy?



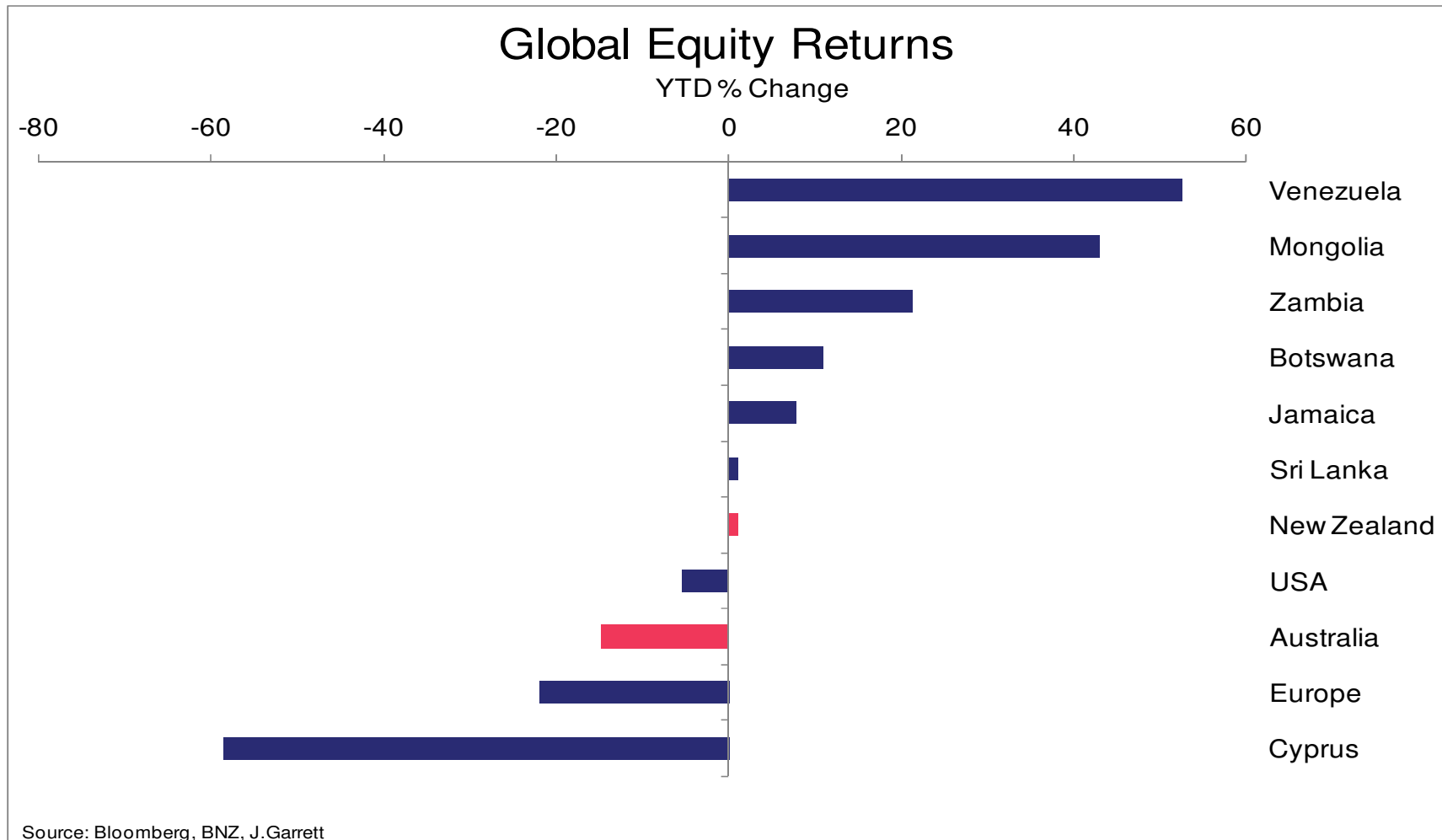
Really?



On Balance Okay



A Relative Surprise



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