

Rebuilding globally and locally: Opportunities in the New Normal

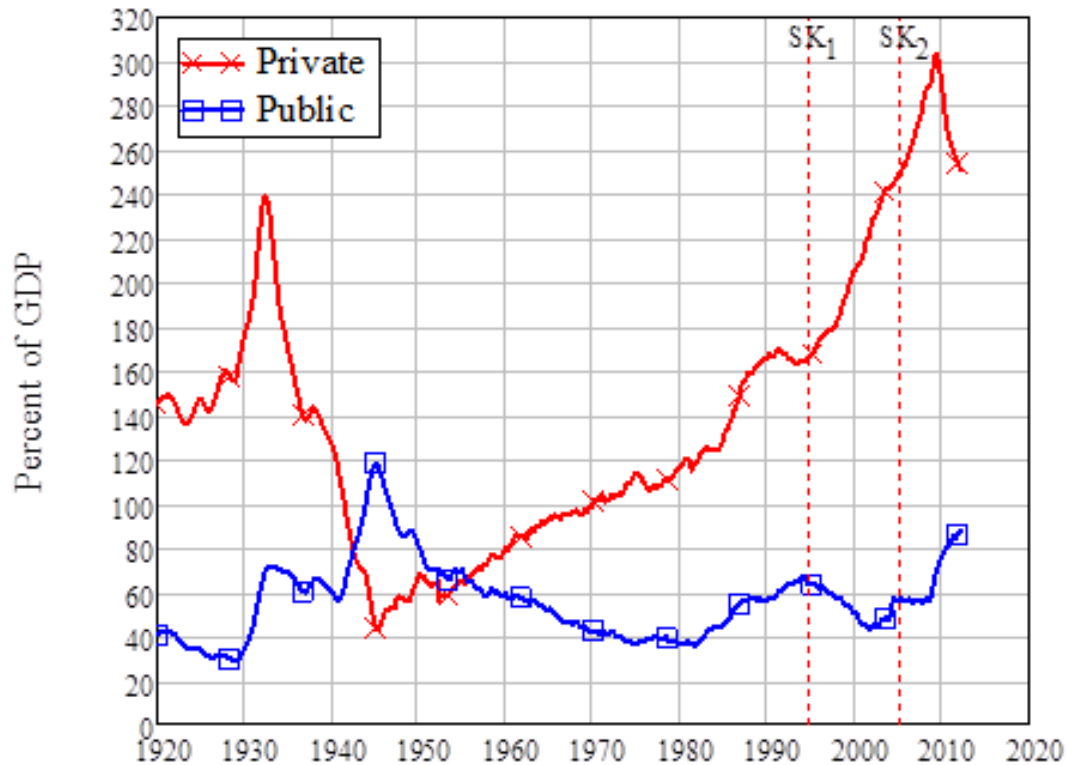
- Causes of Global Financial Crisis
- What that means
- NZ' s own quake
- Housing markets
- Lower for longer
- Deflation threat

- The power of deleveraging
- A financial repression strategy
- Why demographics matter so much
- Opportunities

- Older and wealthier
- They're cashed up
- Capital flowing
- NZ a safe haven
- Strong currency
- Great for importers

A world of debt

US Debt to GDP

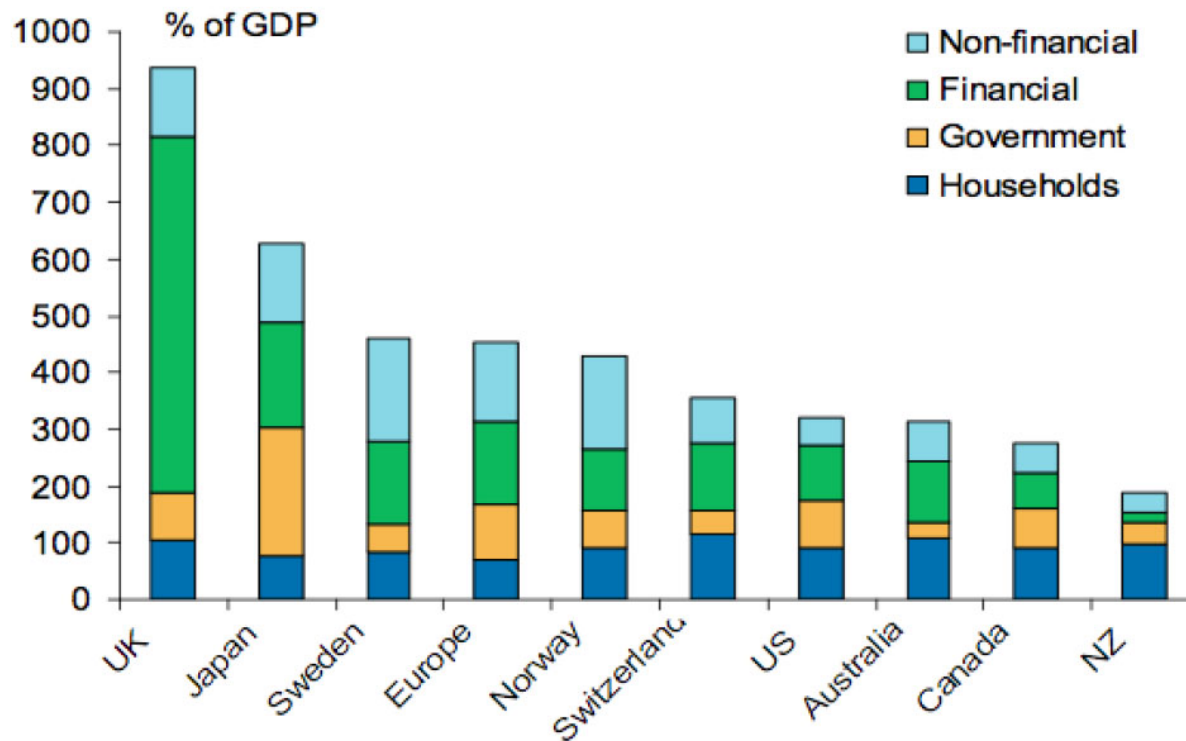


www.debtdeflation.com/blogs

A world of debt

Exhibit 1

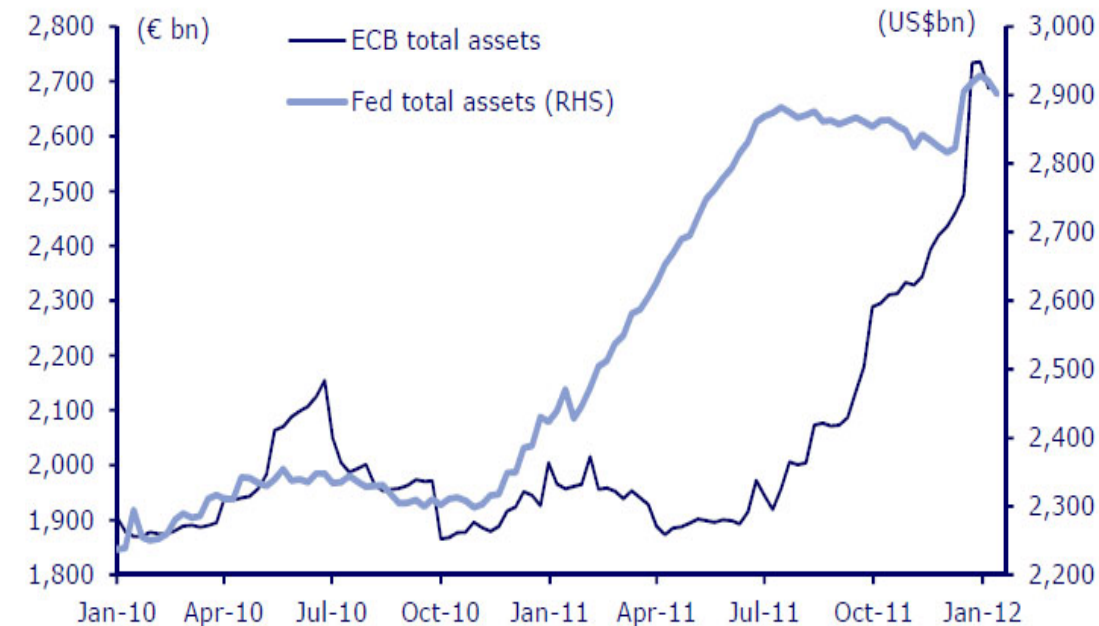
G10 Debt Distribution



Source: Haver Analytics, Morgan Stanley Research

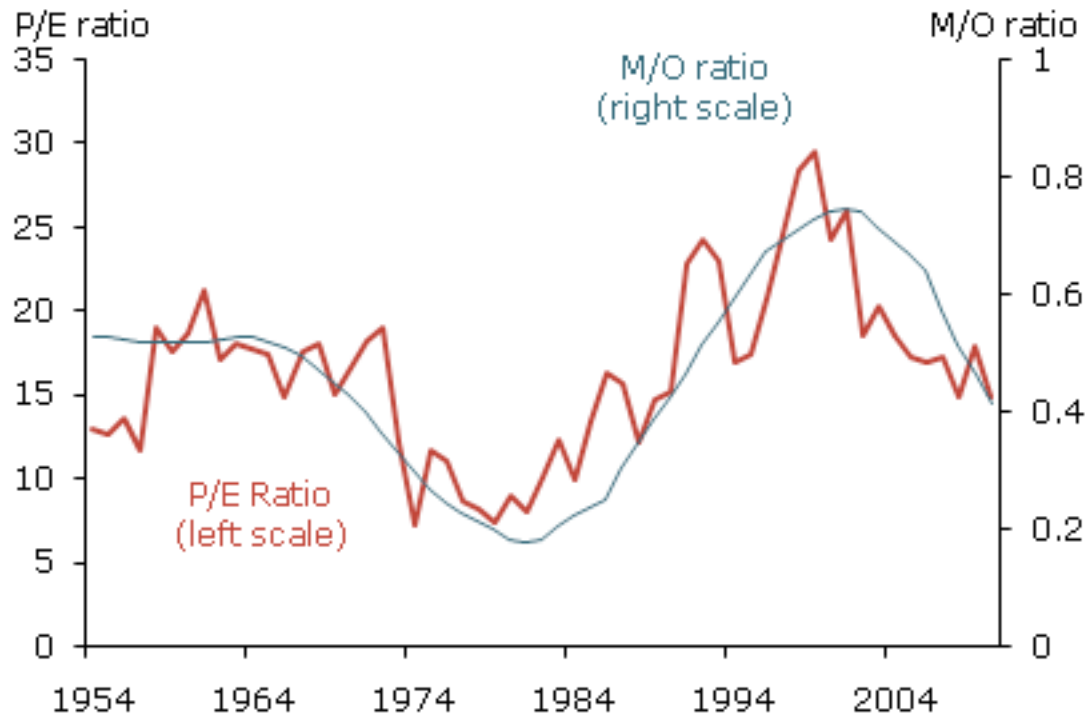
Print, extend and pretend

Figure 2
ECB total assets and Fed total assets

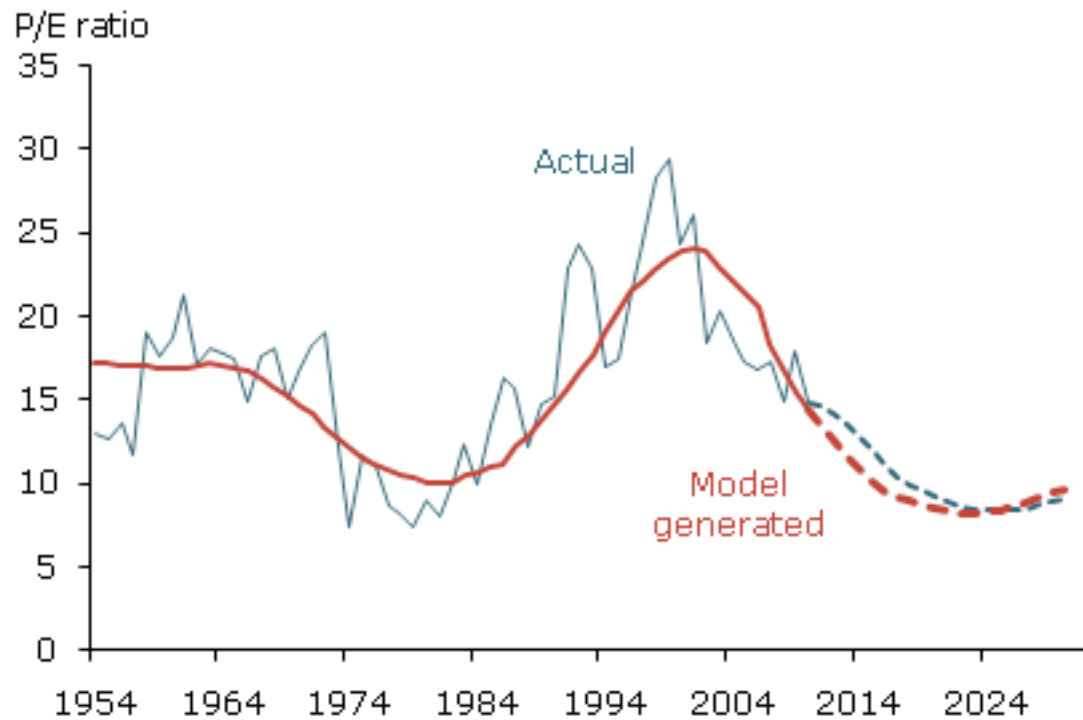


Source: Bloomberg

The sexy time



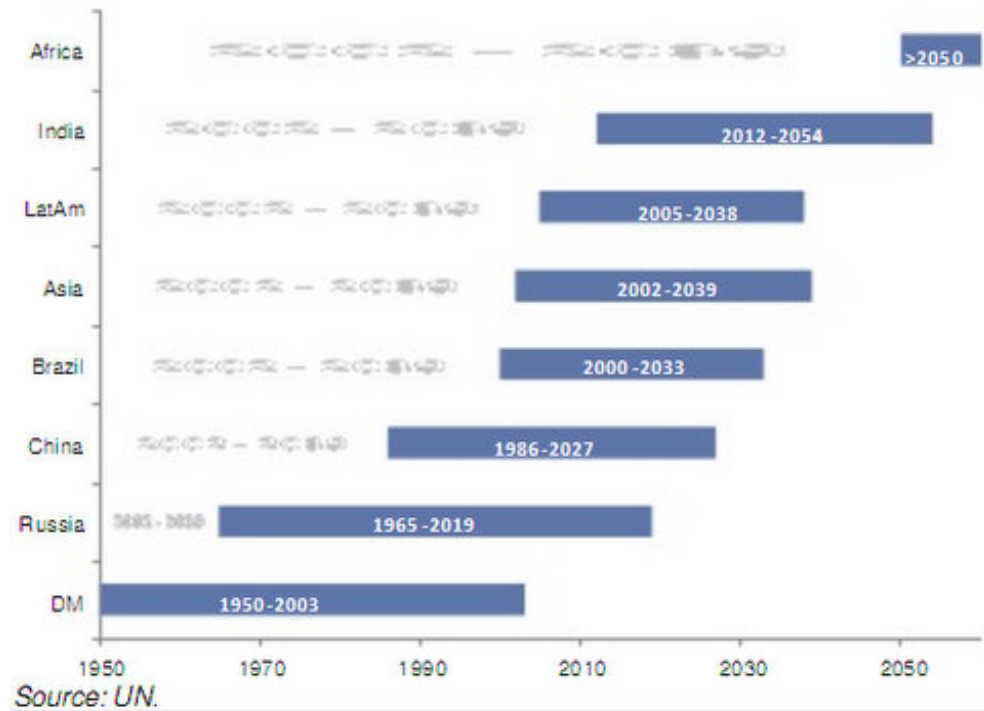
The sexless time



Demographic sweet spots

Demographic windows

Years during which population under 15 < 30%, over 65 < 15%



The Japan precedent

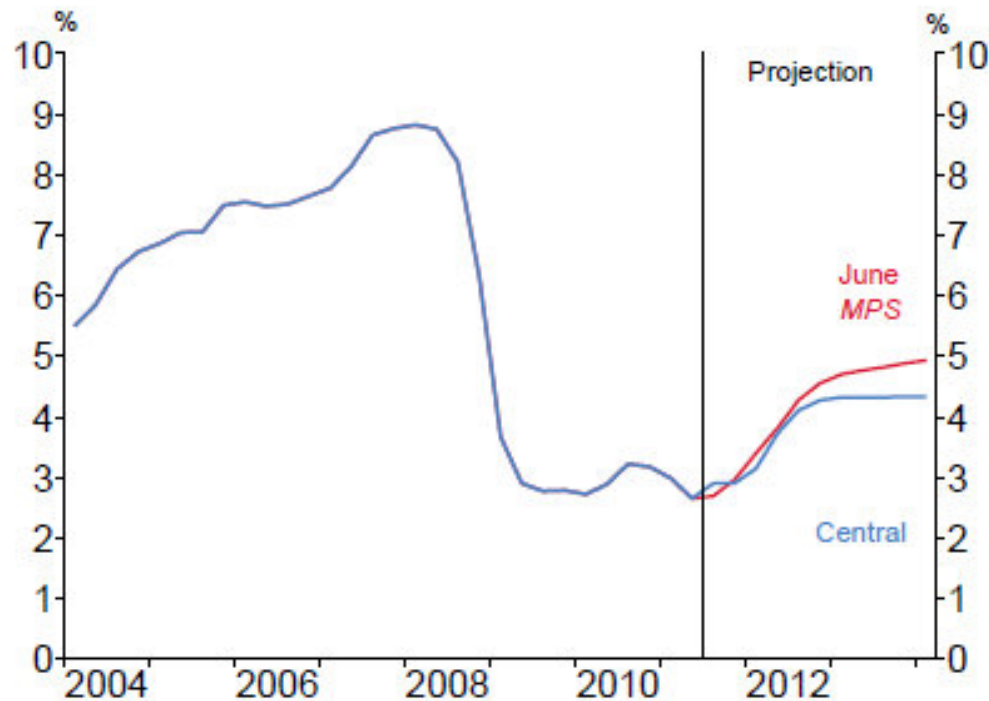


- Muddling through
- Print, inflate, extend and pretend
- Debt restructuring
- Generational
- Hunt for safe havens

- Opportunities
- Cheap debt
- Supply constraints
- Capital inflows
- Lower rates?
- Too Big To Fail?

Lower for longer Sept 11

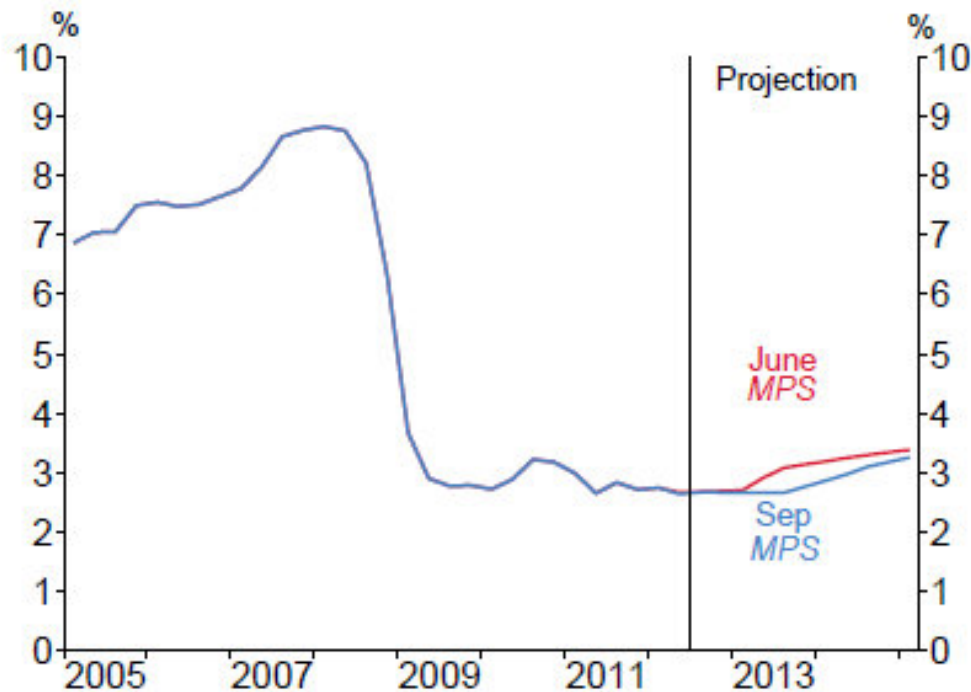
90-day interest rate



Source: RBNZ estimates.

Lower for longer Sept 12

90-day interest rate



Source: RBNZ estimates.

Ask for a deal

New Zealand retail banks' net interest margins

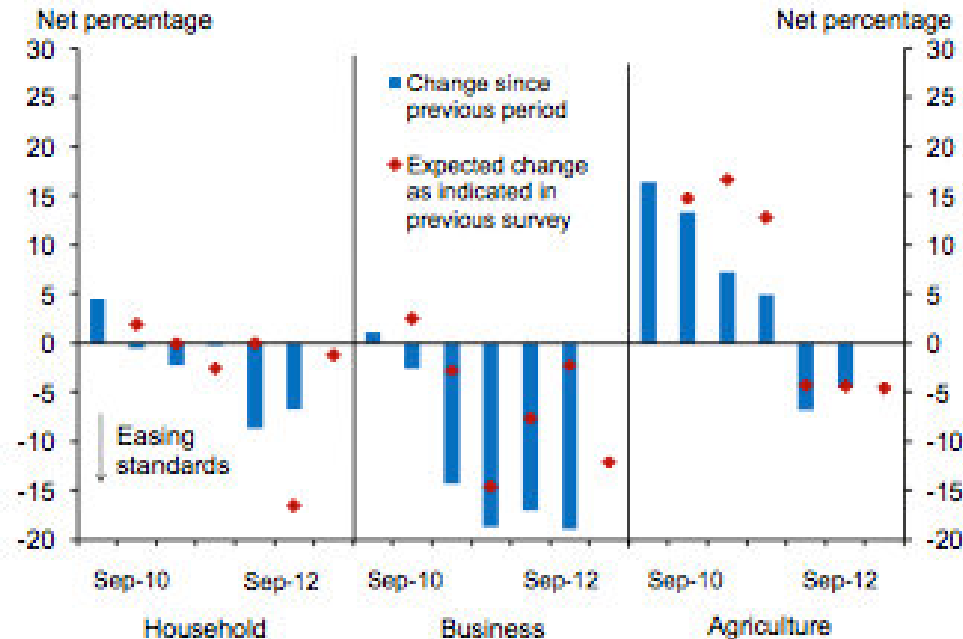


Source: GDS, RBNZ *Net Interest Margin Survey*.

Note: Net interest margins are defined as net interest income divided by average interest earning assets. Series are annualised and monthly data is a three month moving average.

They're doing them

Change in New Zealand banks' lending standards



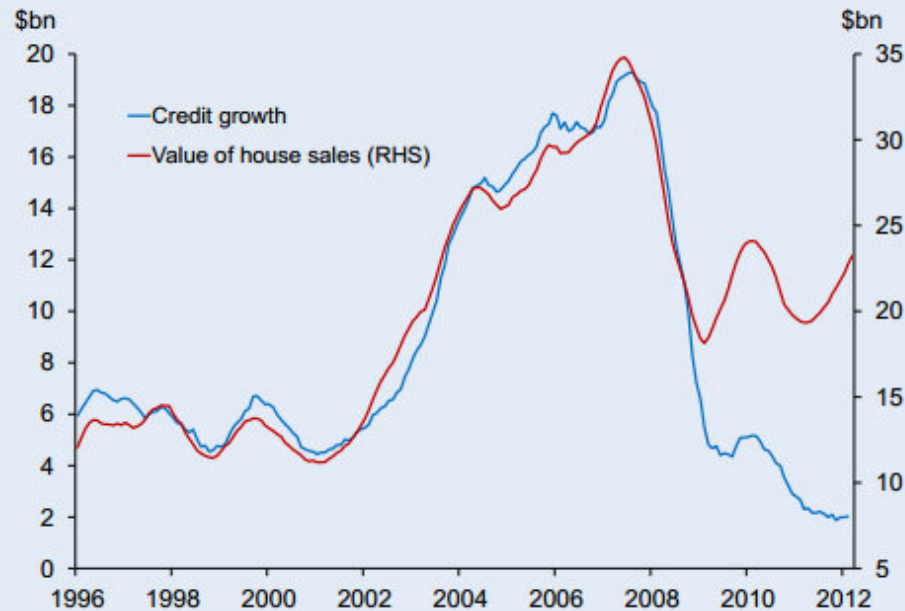
Source: RBNZ *Credit Conditions Survey*.

Note: Net percentage is the percentage of respondents reporting a tightening of lending standards minus the percentage of respondents reporting an easing. Individual bank responses are weighted by market share.

A disconnection

Household credit growth and value of house sales

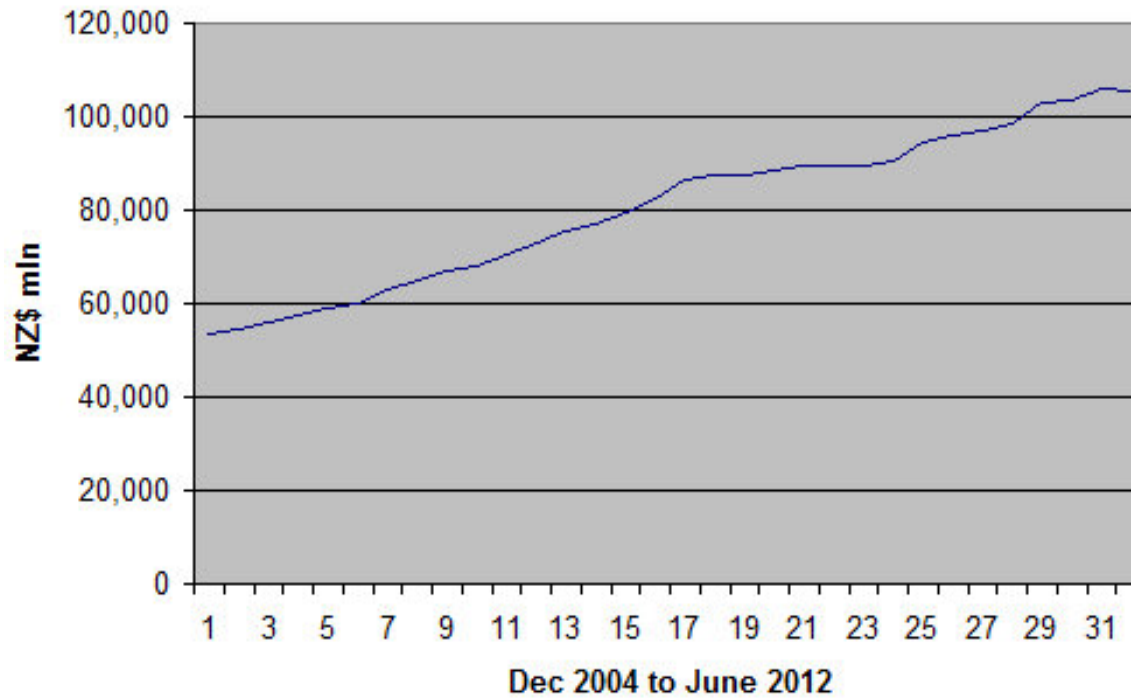
(annual totals)



Source: REINZ, RBNZ.

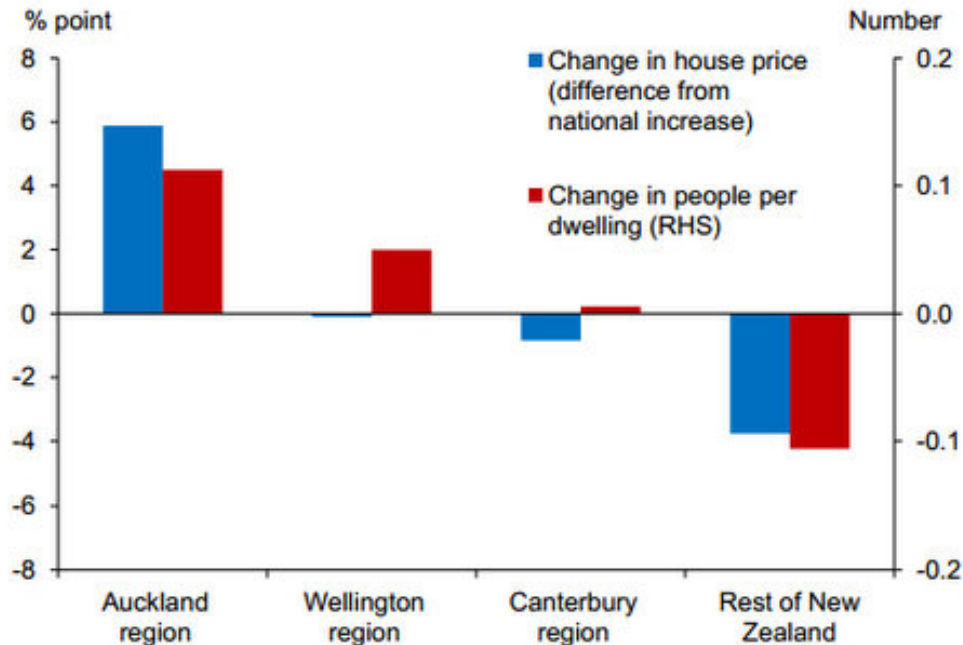
Money ready to spend

Household term deposits



Auckland's crowded

People per dwelling and house price, by region
(change between 2006-2011)

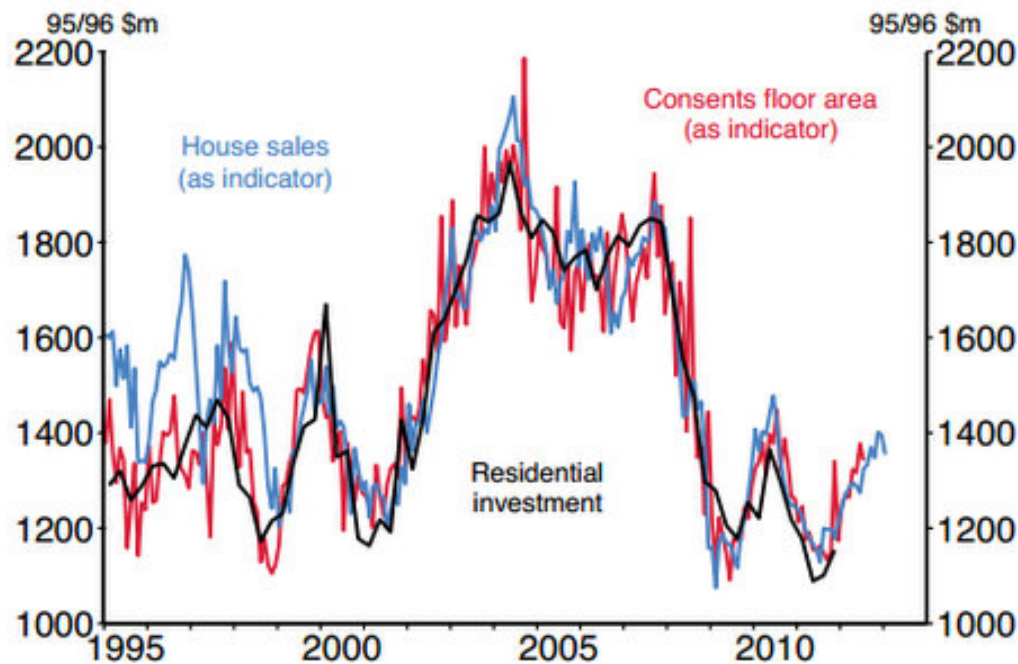


Source: Statistics New Zealand, RBNZ calculations.

Note: Figures do not allow for homes made uninhabitable by the Canterbury earthquakes.

Supply constrained

Housing market indicators

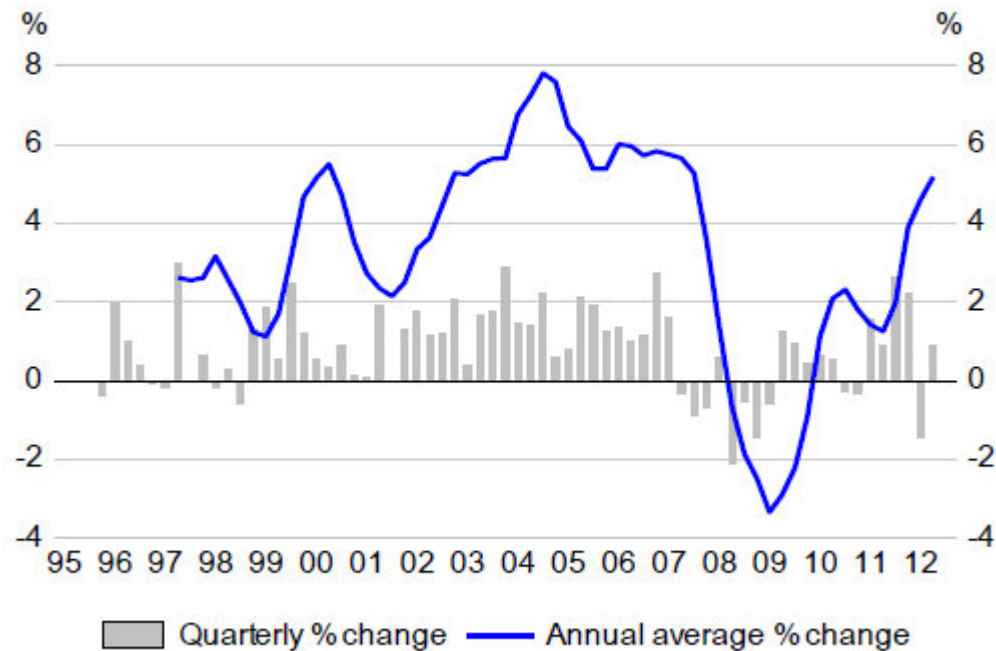


Source: Statistics New Zealand.

Note: Sales and consents data have been scaled to be comparable to residential investment.

Spending rebounding

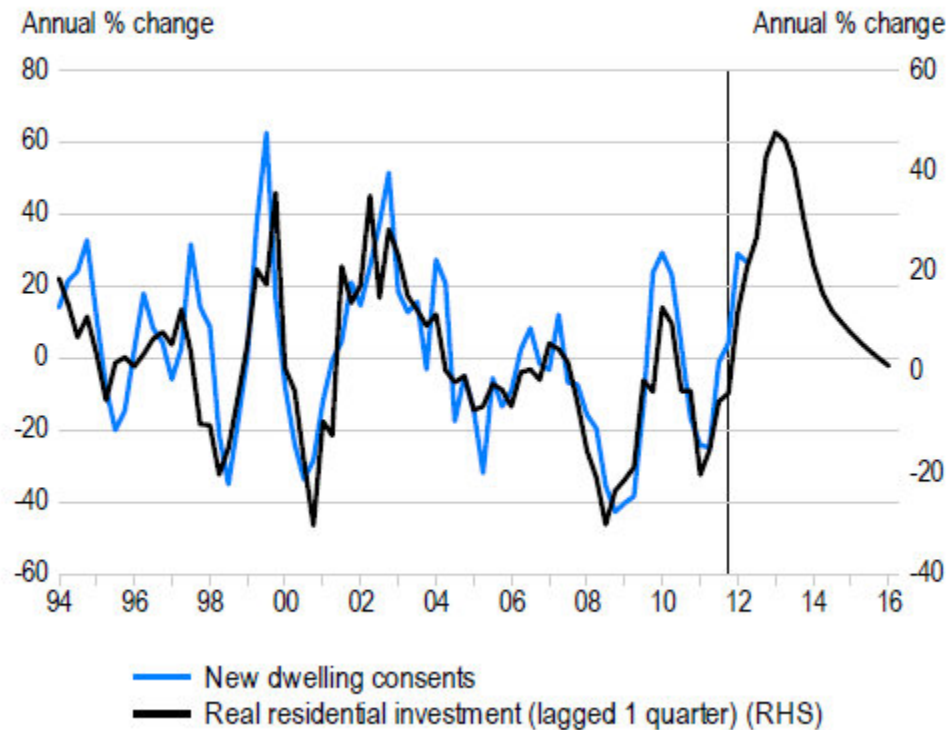
Real Core Retail Sales Growth



Source: Statistics New Zealand

Building rebounding?

Figure 10 – Residential investment forecast and consents



Sources: Statistics NZ, Treasury

- Monetary policy debate
- LVRs, other tools
- QE and the NZ\$
- China slowing
- Australia slowing
- Cushions and valves

- Lower for longer
- Demographics matter a lot
- Older and richer
- Strong NZ\$
- Capital flows
- Structural change

- Thank you
- Questions