HUGO*vision*

Assessing the economic and political environment in New Zealand

September 11 2015 | Confidential to HUGO members

Polling dilemmas: alternative flags and refugees Page 2

John Key had no option but to react to the outpouring of public compassion provoked by images of refugees dying to get to Europe, especially once fellow travellers David Cameron in the UK and Tony Abbott in Australia began moving. He is much less likely to buckle on the groundswell of support for a fifth alternative flag design. The latest TVNZ Colmar Brunton poll showed little movement in any major parties' support levels (Nats, 47%, Labour 32%, Greens 12%, NZ First 7%).

OCR at 2.5% next month, eventually lower? Page 5

The RBNZ signals it has plenty of "gas in the tank" to react to weakening economic conditions, with a further 25 basis point cut to the OCR still likely next month, with potential to go lower.

Tolley in pole position for Speaker Page 2

Contrary to speculation published last week that Gerry Brownlee is being lined up to replace David Carter as Speaker in the reshuffle expected when Tim Groser becomes ambassador to the US, the front-runner for the Speaker's role is believed to be former Whip Anne Tolley.

Second-guessing the Fed Page 6

Expectations remain high that the US Federal Reserve will raise US interest rates for the first time in nearly a decade at the Federal Open Market Committee meeting on Sept 16 and 17. However, signals from Fed governors are mixed. With the IMF and World Bank urging caution, the decision looks finely balanced.

Transmission pricing Page 3

We spoke too soon in declaring an outbreak of peace on the Electricity Authority's latest attempt to reform transmission pricing methodology. There are serious concerns about the complexity of the latest proposals, even among some of the South Island generators and major users who might expect to benefit.

ALP puts China-Aust FTA risk Page 6

The politics of free trade is as fraught in Australia as it is in NZ, but the target is not the TPP, but the high quality FTA with China, which has taken successive govts a decade to negotiate. The Aust Labor Party is threatening to rewrite chunks of the agreement, if elected, jeopardising its completion.

D-Day tomorrow for the UK Labour Party

The results of the UK Labour Party's leadership election will be announced Sept 12, with long-serving socialist outsider Jeremy Corbyn expected to win, despite or perhaps assisted by calls from party grandees to reject a candidate they regard as unelectable to the British public.

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Polls drive Key on refugees

Accepting more refugees is rarely a vote-winner. But the appalling images emerging from the exodus of Syrian and other refugees from the Middle East and North Africa into Europe caused a rare reversal of public sentiment, which is more usually balanced in favour of 'charity begins at home'.

For a brief period, however, compassionate voices dominated not only NZ but global media, leading to a series of backdowns by first UK PM David Cameron and then Aust PM Tony Abbott, among others. Once Abbott – whose hardline against boat people is hardly a secret – had moved, Key would have looked oddly isolated if his initial refusal to consider an emergency intake had not changed.

As it is, the 600 additional refugees represent a carefully calculated minimum effort, with arrivals over the next two and a half years staggering their impact on existing refugee integration services. It is no accident that Key played up the cost of this move – $48.8m in total. There is still a large political constituency more concerned at the cost, let alone the cultural integration issues raised by refugee communities, than the circumstances that have forced people to flee their homelands in the first place.

Compare the NZ offer to Abbott's offer to settle **an additional 12,000 Syrian and Iraqi refugees in Aust**, where the population is a little above 23m. **To match that on a proportional basis, NZ would need to offer 2,250 additional places.**

The focus will shift next year to the review and expected increase in the current annual intake of 750 refugees, a total that has not moved for many years.

No appetite for a 'fifth' flag option

Much is being made of the efforts to have a fifth option, the Red Peak flag design, included in the national flag referendum. Our view is that John Key is highly unlikely to bend to this surge in public opinion, in part because he has bent a long way on refugees and in politics there is a fine line between listening to the public and being seen to flip-flop.

There are two other considerations. Firstly, Key is wedded to a design with a fern being chosen. That is clear from the 'steer' the public is being given by a choice of four designs, three of which contain ferns. And secondly, there was always a danger the flag referendum process could turn into a mid-term referendum on the Key administration. That was already evident in early suggestions of a campaign to support the current flag. Such a campaign may still occur, but a truly popular alternative design, which Red Peak appears to be, might be a more galvanising rallying point for the govt's political opponents. Also in the fern design's favour is polling by UMR – Labour's pollster . It conducted polling before the four chosen options were released and found that around one quarter of those polled favoured the red, white and blue fern design (below).

Brownlee for Speaker? Dream on.

Wellington was abuzz with speculation published last week about the appointment of Gerry Brownlee as the next Speaker, in the reshuffle expected when Tim Groser takes up the US ambassadorship in Washington.

The suggestion was angrily rebutted by Brownlee's office. He has no interest in the role, despite his vast experience as National's Leader of the House. The smart money for the next Speaker is on **Anne Tolley,** a former govt Whip and current Minister for Social Development. With TPP progress stalled, the timing of Groser's departure remains murky.

Replacement for Phil O'Reilly

Headhunters are beating the bushes for a replacement for Phil O'Reilly at the head of BusinessNZ. It seems no obvious successor has yet emerged. Names being bandied about include former Wellington Regional Council chair, Fran Wilde, and the current heads of various lobby groups. Internal candidates may also have applied but the desire for a fresh face is said to be strong. Meanwhile, one of NZ's top shelf diplomats, Vangelis Vitalis, has been appointed to lead the WTO's long-stalled Doha round of negotiations.

Telco review: a more settled future for Chorus?

The telco review discussion paper released this week is seen by investors as broadly positive for Chorus, given the paper's strong recognition that regulatory uncertainty has been far too great in recent years. However, there is no timetable for decisions and there is a risk that the tangle of related issues on the regulation of content provision and radio spectrum allocation could complicate and slow down the process. Of greatest significance is the proposal to move away from the current TSLRIC model for price-setting, which seeks to benchmark the cost of building new infrastructure against foreign jurisdictions' cost structures. Argument over this has been at the heart of the uncertainty surrounding Chorus since structural separation in 2011.

A 'building-block approach', similar to that used for electricity and gas network pricing, would put backbone fixed telecommunications infrastructure into more familiar territory. There would still be arguments about the appropriate weighted average cost of capital, but basing costs on local actual data should simplify things.

The underlying message remains that NZ is reasonably well-placed, compared to some other jurisdictions, by virtue of the fact that structural separation and regulation as a monopoly of backbone infrastructure is a first line of defence against problems such as net neutrality – the capacity of competing providers to favour their own customers.

Submissions on the initial discussion document are due by Oct 27, with the prospect of further consultations in early 2016 and legislative change to follow.

And a focus on mobile competition.

The telco review document acknowledges the ubiquity and growth of mobile devices brought on by digital technological evolution, but assumes that mobile and fixed networks do not directly compete in the future. However, the paper identifies recent gains in mobile service competition as "vulnerable". It recognises the increasingly challenging economics of competing mobile providers each building their own infrastructure and discusses the potential need to encourage shared infrastructure, especially if sophisticated, fast mobile services are to be available in rural areas, where digital technology has potential to revolutionise agricultural management practice.

Transmission pricing – not so peaceful

We confess to something of 'Neville Chamberlain' moment in the last issue of HUGOvision, where it was asserted that "peace has broken out" over the Electricity Authority's proposals to reform transmission pricing methodology.

Feedback suggests that is far from the case, and that the EA's second attempt to bring more rational investment signals to this area is still regarded as overly complex and fraught with implementation risk. There is particular concern that recalculated impacts of proposed changes on households appear not to have been derived in the same way as initial calculations, which were based on ICP (meter) installations.

Separately, there are signs that Vector is seeking to claw back lost revenue created by the closures of the Otahuhu-B and Southdown plants, with the potential for substantial additional costs for major industrial users, including NZ Steel, whose operations are currently under review by Aust owner Bluescope after declaring a loss A$30.3m in the year to June 30.

Electric vehicles

A 'modest' package of measures to encourage the uptake of electric vehicles appears still to be some months away. While Transport Minister Simon Bridges regards EVs as a no-brainer opportunity for NZ, he has yet to take proposals to Cabinet or to fully engage John Key.

Ngati Whatua settlement

Housing Minister Nick Smith managed to avoid going to court with Ngati Whatua over its claim to the right of first refusal on surplus Crown land in Auckland, where the govt wants new housing built. However, the iwi has established the principle of right of first refusal. Ngati Whatua has always maintained it didn't want to become a housing developer itself, though whether that view is shared by its partners in the Tamaki Collective remains to be seen.

Nonetheless, the govt is now able to develop the land and is proposing to offer social housing for sale to NGO providers, while the so-called "affordable housing" component will probably be developed by consortia of local and, the govt hopes, overseas interests to spur construction sector competition.

Note that Building Minister Nick Smith is also planning to appoint more independent experts to Standards NZ, which he accuses of designing standards to protect local manufacturers.

Auckland politics

The National Ministers charged with winning control of the Auckland Council do not yet have a candidate for mayor. If Maurice Williamson was ever an option, recent off-colour antics have killed that possibility. Shoo-in Labour candidate Phil Goff is thought to be juggling family pressure not to stand.

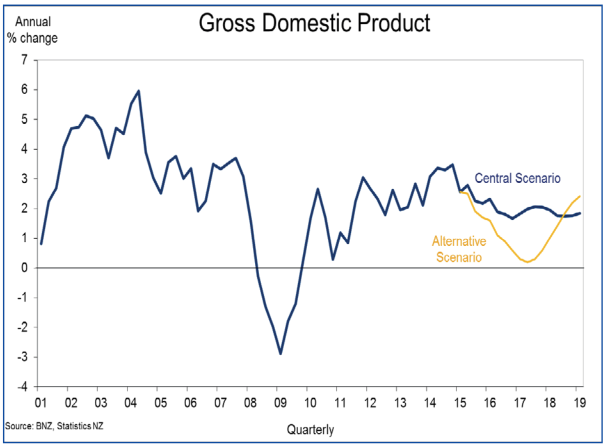
2016 CEO Retreat

Following feedback from members disappointed to be unable to attend this year's CEO Retreat and evidence that the traditional late March timing is problematic for many, we are changing the timing for 2016.

The dates will be confirmed before the end of the year, but for now you can pencil in a start on the evening of Thursday, August 25, concluding with the Retreat dinner on Saturday, Aug 27.

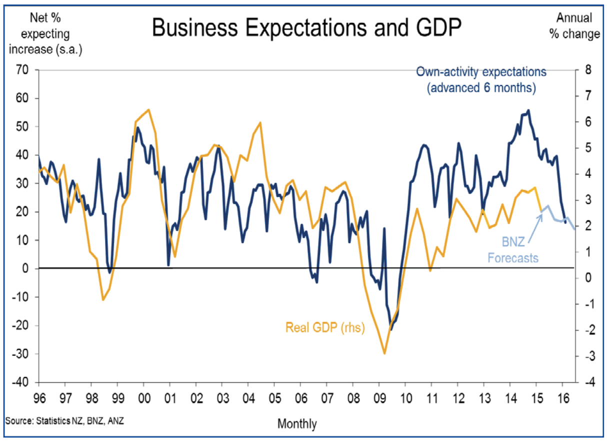
We are also planning a revamped format to give a combination of the traditional 'deep dive' novel subjects and a day tailored to senior executive development, led by an expert of global standing. You can choose to attend either or both programmes.

DOMESTIC ECONOMY



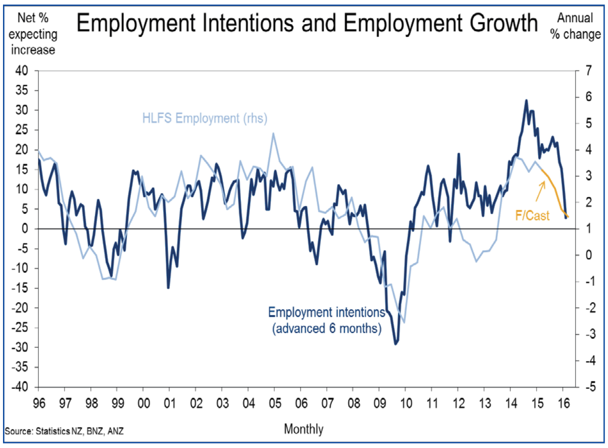
Alternative Scenario Still More Likely?

- Mounting evidence of falling business confidence and weak global economic conditions makes the downside scenario increasingly probable;
- From a political perspective, this raises the prospect of a falling GDP growth rate through election year, 2017.
- Note, however, the RBNZ is not so pessimistic in this week's monetary policy statement, and sees a strong bounceback in 2017/18 driven by a weak exchange rate and improved export returns.



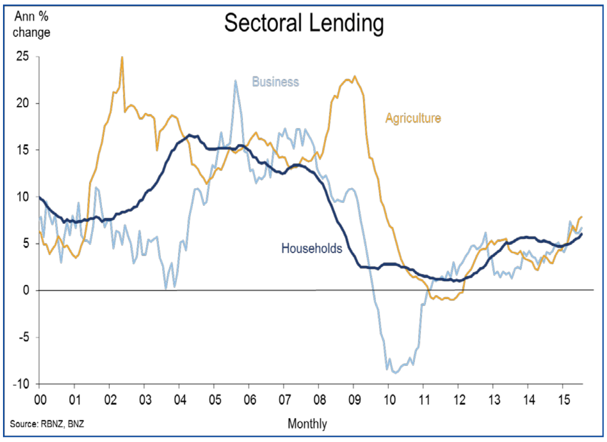
Confidence Slump Worrisome

- The scale of the business confidence slump in the ANZ Business Confidence Index is surprising;
- The index is a leading indicator for GDP outcomes;
- While "own business" expectations remain net positive, confidence is at a six year low, comparable to the immediate aftermath of the GFC;
- A net 29% of businesses are pessimists about the year ahead;
- Agriculture leads the way, but all sectors are currently in negative territory.



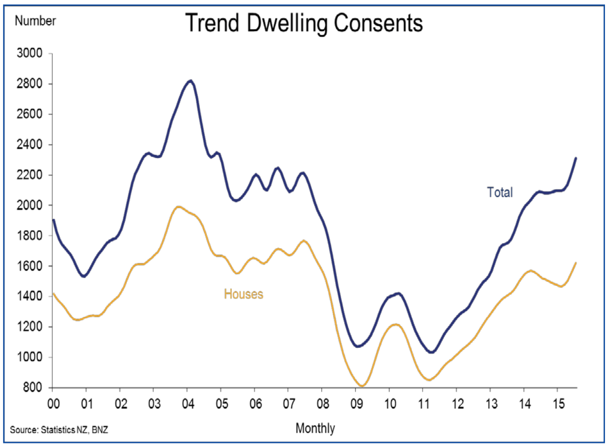
Employment intentions decline

- Employment intentions are weakening;
- And recent strong job creation is forecast to decline sharply;
- This week's MPS from the RBNZ sees unemployment peaking at 6.1% in the year to March 2016 and falling back to 5.4% in March 2018;
- We are less optimistic and see unemployment at 6.7% in 2017 and 2018.



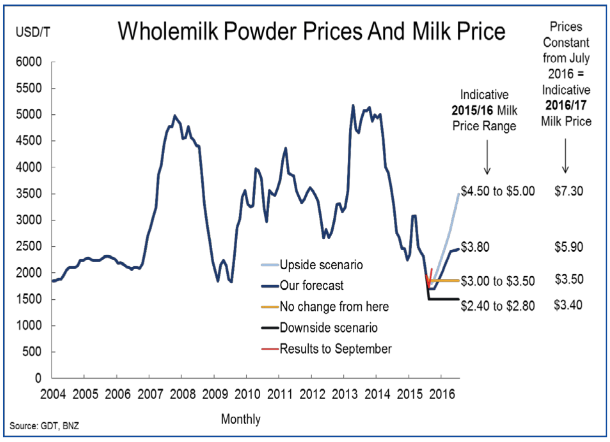
Bothersome credit growth

- Household wealth effects continue as house prices continue to rise, underpinning consumption;
- However, the increase in lending to businesses and, particularly, to agricultural borrowers shows a sharp uptick;
- Lending to agriculture will reflect early signs of some distressed lending.



House price inflation finally getting a response

- National house price inflation remains above 20% p.a. in Auckland;
- Applications for property valuations prior to purchase remain strong in Auckland;
- Although anecdote from real estate agents suggests a more cautious tone;
- Building consents are finally starting to indicate a stronger response to supply shortages.



The milk price outlook may not be as apocalyptic as it seems

- We expect a Fonterra milk price payout at $3.80 per kg/MS in the current season, with recovery ahead;
- The last two GDT auctions show a slightly earlier bounce than anticipated;
- If achieved, a 2016/17 price of $5.90 per kg/MS is implied;
- Indicating a return to profitability for most dairy farmers after a difficult two years.

Another 25 point OCR cut next month?

The next cut in interest rates is still expected next month, although confidence in that call has diminished after Thursday's Monetary Policy Statement. At the same time, based on the detail of the MPS, we see an increasing probability that the OCR will eventually fall below 2.5%. The forward path is not certain.

House and dairy price increases, along with potential for a stronger June quarter GDP outturn than the RBNZ's 0.6% forecast, are factors against an October cut. Elsewhere, however, it seems reasonable to expect the Oct 8 QSBO to show some of the same weakness as ANZ's business confidence index, even though BNZ PMI and PSI indices have yet to look quite so soggy. The latter are less exposed to the agricultural sector.

Favouring a cut in Oct is the RBNZ's desire to see a further fall in the NZD, which could be arrested or reversed if it sat pat at the Oct OCR review. The RBNZ significantly lowered its TWI track this forecast round. It now troughs at 64.9 by Sept 2016 and remains there for some time.

With all this in mind, we put the probability of a further 25 basis point cut next month at 65%, although the market is currently pricing a 40% chance. The RBNZ has a "terminal" cash rate of 2.5% built into its forecasts, but that would appear to be at odds with its implication in the past that getting the cash rate much lower would require a recession. There is no sign of that in its latest forecasts. The bank's forecasts imply a risk that the cash rate could push lower than forecast, especially if its relatively bullish outlook for growth and unemployment proves overdone and non-tradables inflation pressure is lower than forecast.

However, there are offsets. For example, a lower dollar may prove even more inflationary than anticipated and the RBNZ's view on terms of trade recovery looks conservative: better export prices would add some inflationary pressure.

With the risks asymmetrically biased to the downside, we now take the view that the first OCR increase won't be until Feb 2017, rather than the Dec 2016 increase previously expected.

Meanwhile, **the RBNZ is preparing to publish a new estimate of the so-called 'neutral' interest rate**, currently 4.5%, in a bulletin article scheduled for release on Sept 24.

Mixed signals for Fed rate move

RBNZ governor Graeme Wheeler remarked at his MPS press conference this week that if and when the US Federal Reserve moves to raise interest rates, it is "going to be the most telegraphed decision of any monetary policy decision in the world".

Given the evidence of ongoing split views between Fed governors and the clamour from a variety of heavy-hitters calling for postponement, the odds on a rate rise on or about Sept 17 would seem to be less than favourable.

However, strong labour market statistics for August, released this week, are the latest indicator to suggest the Fed is meeting at least the employment element of its two mandates, leaving judgements about inflationary pressures as the shoe still to drop.

Relevant also is whether recent global financial market volatility could be reignited by the first increase in American interest rates in nearly a decade. The 'taper tantrum' of 2013, when the Fed last tried to raise rates and caused global market ructions, is fresh in many observers' minds.

Among those urging delay are chief economists at the IMF and World Bank, along with former Fed chair Laurence Summers.

"I don't think the Fed lift-off itself is going to create a major crisis but it will cause some immediate turbulence," the World Bank's Kaushik Basu said. "It is the compounding effect of the last two weeks of bad news (driven from China). In the middle of this it is going to cause some panic and turmoil. The world economy is looking so troubled that if the US goes in for a very quick move in the middle of this I feel it is going to affect countries quite badly."

However, the Financial Times late this week reported the governors of some emerging market central banks urging the Fed to raise rates sooner rather than later, with the uncertainty caused by delay a greater source of volatility than a positive decision.

"The situation will recover the sooner the Fed makes a decision and then gives expectation to the market that they [will] increase [rates] one or two times and then stop," a senior deputy governor at the Indonesian central bank said.

China blinks on capital outflows

The extremely high capital outflows from China over the last year, which have accelerated in recent months, are prompting what appears to be a behind the scenes clampdown on practices commonly used to disguise at least some of the remittances of funds offshore. The State Administration of Foreign Exchange is reportedly requiring financial institutions to be vigilant against the practice of over-invoicing exports as part of a general strengthening of checks on foreign exchange transactions.

Outflows over the last year are estimated to have been around half a trillion US dollars, and momentum may have increased in Aug, with some US$100 billion thought to have flowed out of China and into other jurisdictions. A more cautious approach from Beijing on compliance, if not a change in stance on the principle of allowing capital outflows, further demonstrates the growing nervousness of Chinese policymakers about the current outlook for an economy that may be growing as slowly as 5% p.a.

ALP jeopardises China FTA

The Abbott govt is facing the potential loss of Chinese support for a free trade agreement after a decade of negotiations, as the Australian Labor Party mounts opposition to the deal.

In an echo of the anti-TPP protests prevalent in NZ and other developed economies, where scepticism about the value of open borders for trade is growing, the ALP is threatening to unpick parts of the FTA with China, if elected.

Given the deep unpopularity of the Abbott administration, that prospect is a live possibility. The Sept 19 by-election in the Western Australian electorate of Canning is shaping up as another referendum on the federal coalition.

Trade Minister Andrew Robb has warned that China would likely "walk away" from the FTA, which was "the best deal that they've ever done by a country mile".

Aust jobs growth, sentiment at odds

Despite the gloom emanating from across the Tasman, latest official employment figures are notably strong. Some 17,000 more jobs were counted in August, against a market expectation of just 5,000, and followed a jump of 39,000 in July. Job growth is now running at its strongest rate for more than four years ,at an annualised rate of 2%. Against that rosy picture, labour market participation fell slightly over the month to 65% and unemployment remains stuck at 13 year highs, at 6.2%. Hours worked remain flat month-on-month.

Consumer sentiment remains weak. The Westpac/Melbourne Institute index fell 5.6% to 93.9 this month, well below the average of 101.4 recorded since 1974.

Commodity prices

Wool prices reached a record high at the North Island auction this month, reflecting strong demand for finer wools and limited supply. The price for clean 29-micron wool changed hands at a record $10.45/kg at the Sept 3 sale. Some 97% of the 7,543 wool bales offered were sold. Wool prices bucked the trend of falling prices on the ANZ Commodity Price Index last month, rising 1.4%, while beef rose 6.6%. The index fell 5.2% in August, led by a 10% drop in dairy prices to an 11-year low, and a 6.1% decline in forestry. Improving prices on the GlobalDairyTrade platform, which have gained 23% over the past two auctions, suggest the worst is over for dairy, with exporters aided by the NZ dollar's decline. The terms of trade rose 1.3%. Dairy farmers may be smarting, however, over AgriHQ figures showing the forecast $3.85/kgMS milk payout for the current season is the lowest among dairy-producing nations, mainly reflecting their exposure to world prices given the small domestic market.

Confidence surveys

Business confidence fell to a six-year low in August in the face of falling commodity prices and reduced profit expectations, which are discouraging firms from hiring workers and making new investment. The ANZ Business Outlook showed a net 29% of businesses surveyed are pessimistic about the general economy, while the own activity expectations measure fell 7 points to +12, also a six-year low. For agriculture, a net 28% saw worse times ahead, a record low. Inflation expectations were unchanged at about 1.7%, below the 2% mid-point of the central bank's target band. A net 41% of firms see the jobless rate rising, compared to 16% in July. Businesses expecting to raise prices fell to a net 16% from the previous month's 22%. Consumers also became glummer last month. The ANZ Roy Morgan consumer confidence index fell to 109.8 in August from 113.9 in July, the lowest level since mid-2012. The future conditions index fell to a 6 1/2-year low of 104.9 from 110.4, while the current conditions index slid to 117.2 from 119.

Fisheries

Sanford is in talks to sell its remaining Pacific tuna vessel, San Nikunau, after selling the sister ship San Nanumea, because of poor returns from the fishery. CEO Volker Kuntzsch said poor returns were driven by low prices, the "strict commodity nature of skipjack tuna" and rising access costs. Skipjack accounted for only 5% of Sanford's $226m revenue in its first half, a period when prices hit a five-year low. In April, the company signed a conditional agreement to sell both its international purse seiner vessels. Fish oil processor **SeaDragon** has been on an investor roadshow for its $9m renounceable rights offer, which is to meet the escalating costs of its Omega-3 processing factory in Nelson. Chairman Colin Groves told a Wellington briefing the company had been approached with an offer of investment from Australian health supplement company Blackmores but turned it down because it was conditional on Seadragon producing quantities of anchovy oil, which was uneconomic.

Forestry biotechnology

Rubicon reported full-year profit of US$3m, from a year-earlier loss of US$2m, as sales rose 2.5% to US$406m. The forestry biotech company owns 59.8% of listed would mouldings maker Tenon and lamented that its shares hadn't tracked an increase in Tenon's stock, which followed a recovery in earnings. Rubicon consolidates Tenon's income and cash flows, while treating 32%-owned ArboGen, which supplies seedlings to the forestry industry, as an associate. The unprofitable ArborGen lifted global sales 17% by volume to 309m seedlings and revenue climbed by the same amount to US$35m. ArborGen was on track "to meet (an) ebitda positive run-rate by the end of calendar 2015," it said.

Meat industry

To the frustration of activist shareholders of the South Island's two major meat companies, Silver Fern Farms is close to an agreement to sell 50% of its business to Chinese interests, raising $100m to repay bank debt and strengthen its balance sheet. Shareholders of Silver Fern and rival Alliance Group have been lobbying for a merger that would take surplus capacity out of the industry. The Chinese group is understood to be a unit of govt owned Bright Food, which also holds a majority stake in Synlait Milk. Allan Richardson, who heads the SFF merger group, says the Chinese deal would erode farmer control of the industry while increasing the dominance of SFF in buying livestock.

Asset management

Pyne Gould Corp, which restated its 2014 accounts to remove an anticipated gain on the sale of Perpetual Trust, has reported a 99% drop in 2015 profit as interest income fell, expenses rose and the asset management firm didn't get a repeat of the previous year's one-time gain. Net profit was £38,000 in the 12 months ended June 30, from a profit of £6.46m a year earlier. Pyne Gould is controlled by managing director George Kerr, an NBR 2015 Rich Lister with wealth estimated at $80m. He was left in control of a listed company in 2012 when he failed to take the company private in a full takeover attempt.

Smart city opportunity lost in Chch

A plan to incorporate 'intelligent infrastructure' in the rebuild of Christchurch has missed its initial targets because stakeholders were more concerned to restore basic services. Sensing City, which had financial backing from Infratil and Z Energy, had intended to integrate a network of digital sensors into the physical infrastructure of the Christchurch CBD as it was rebuilt, "generating data sets with multiple uses and benefits". The city was in a unique position to be future-proofed during the $40b rebuild, having been forced to repair basic services like water and electricity. But the man driving the concept, innovation expert Roger Dennis, said stakeholders had under-estimated the complexity of rebuilding the city as quickly as possible, and "complexities with insurance, central and local govt has meant there hasn't been much of a focus" on intelligent infrastructure.

Christchurch airport

Christchurch International Airport more than doubled full-year net profit to $37.8m on a 22% increase in operating revenue. Aeronautical sales climbed 43% to $68.3m and non-aeronautical sales rose 9.7% to $90.7m. China Southern Airlines has also announced a three-times a week direct Chch-Guangzhou service, having already been servicing Auckland with direct flights since 2012.

Cartel suit

Air NZ will defend a multi-billion dollar class action in the US that alleges it colluded to fix prices on international air freight services after a New York court set a trial date for the claim. Air NZ, Air China and Air China Cargo, Air India, and Polar Air Cargo and its parent Atlas Air Worldwide, failed in an application to end the claim after a hearing in the US District Court for the Eastern District of New York. A final pre-trial hearing has been set for Jan 8 2016, with jury selection and the trial to start on Jan 25. The claim was filed in 2006 on behalf of six freight forwarders and has been led by global litigation firm Hausfeld. The law firm has reached settlements worth almost US$1.04b with 27 airlines, including Qantas, which paid US$26.5m.

Loyalty programmes

Loyalty NZ, which operates the Fly Buys loyalty programme used by companies including Air NZ, Z Energy and Contact Energy, posted a 6.6% gain in full-year sales to $91m, while profit fell to $830,000 on increased investment to drive growth. The 2015 accounts show an 18% gain to $13.8m for 'participant-based revenue', which includes non-rewards income from the firms that use the Fly Buys programme, fees for marketing campaigns and sales from its Lab360 data and analytics business.

Solid Energy

Solid Energy's administrators have twisted enough banks' and other non-trade and employee creditors' arms to be confident they will get approval for a plan to sell down the insolvent state-owned coal miner's assets in an orderly disposal over the next two and a half years. Particularly significant is the agreement not only of Solid's local bankers, but also Bank of Tokyo, along with KiwiRail, Port of Lyttelton and Fonterra, all of which accept they may see only 35c to 40c in the dollar on their outstanding liabilities.

The alternative, immediate liquidation, was judged likely to yield between 15c and 20c in the dollar. However, the proposed Deed of Company Arrangement would meet in full all obligations to staff and trade creditors.

Figures released in the report from administrators Korda Mentha show Solid Energy is insolvent, with $95m in negative equity at June 30.

Real estate

Real Estate Institute of NZ figures show the Auckland median house price rose 21% in the year to August, against a national median increase over the year of 2.5%.

The Sept Monetary Policy Statement said Auckland prices were becoming "more unsustainable", but that increased supply was the long term answer, with a "large pipeline of construction activity in Auckland".

Permits issued for construction of new dwelling permits in Auckland were at a decade high, although the city also ranks as "among the dozen most expensive cities in the world", relative to residents' incomes, said RBNZ governor Graeme Wheeler.

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