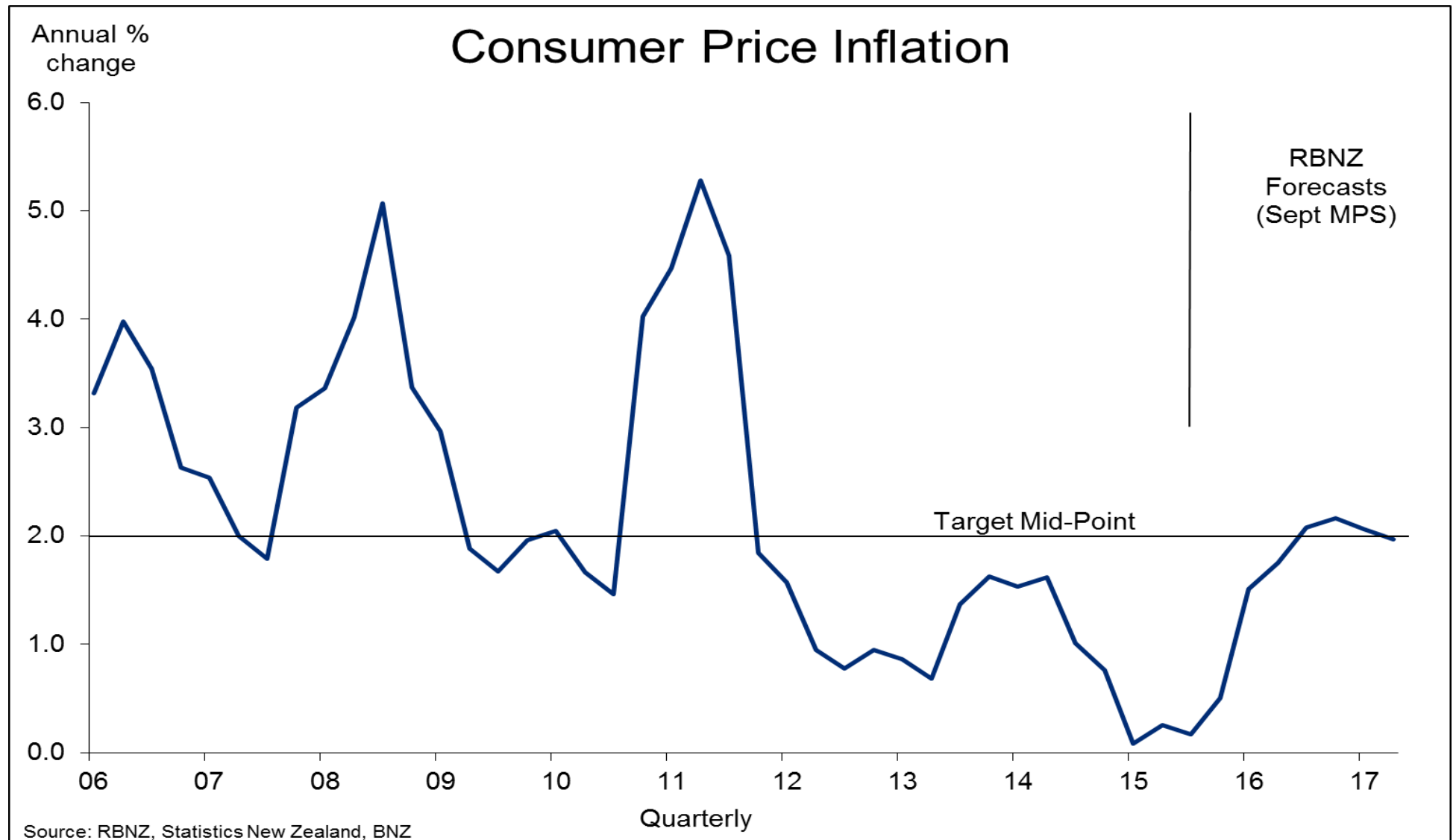


Conflicting Signals

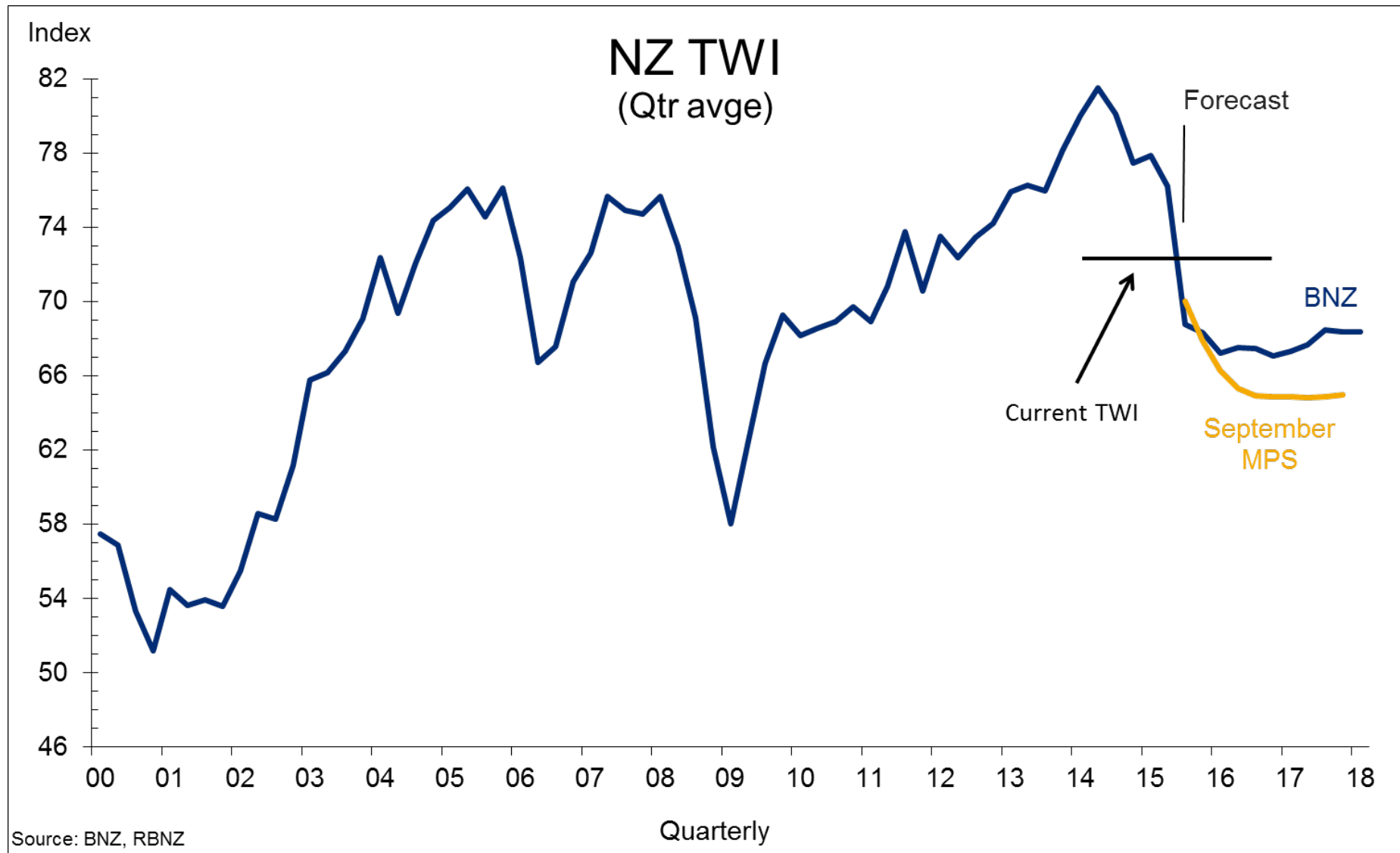
Stephen Toplis – Head of Research

December 2015

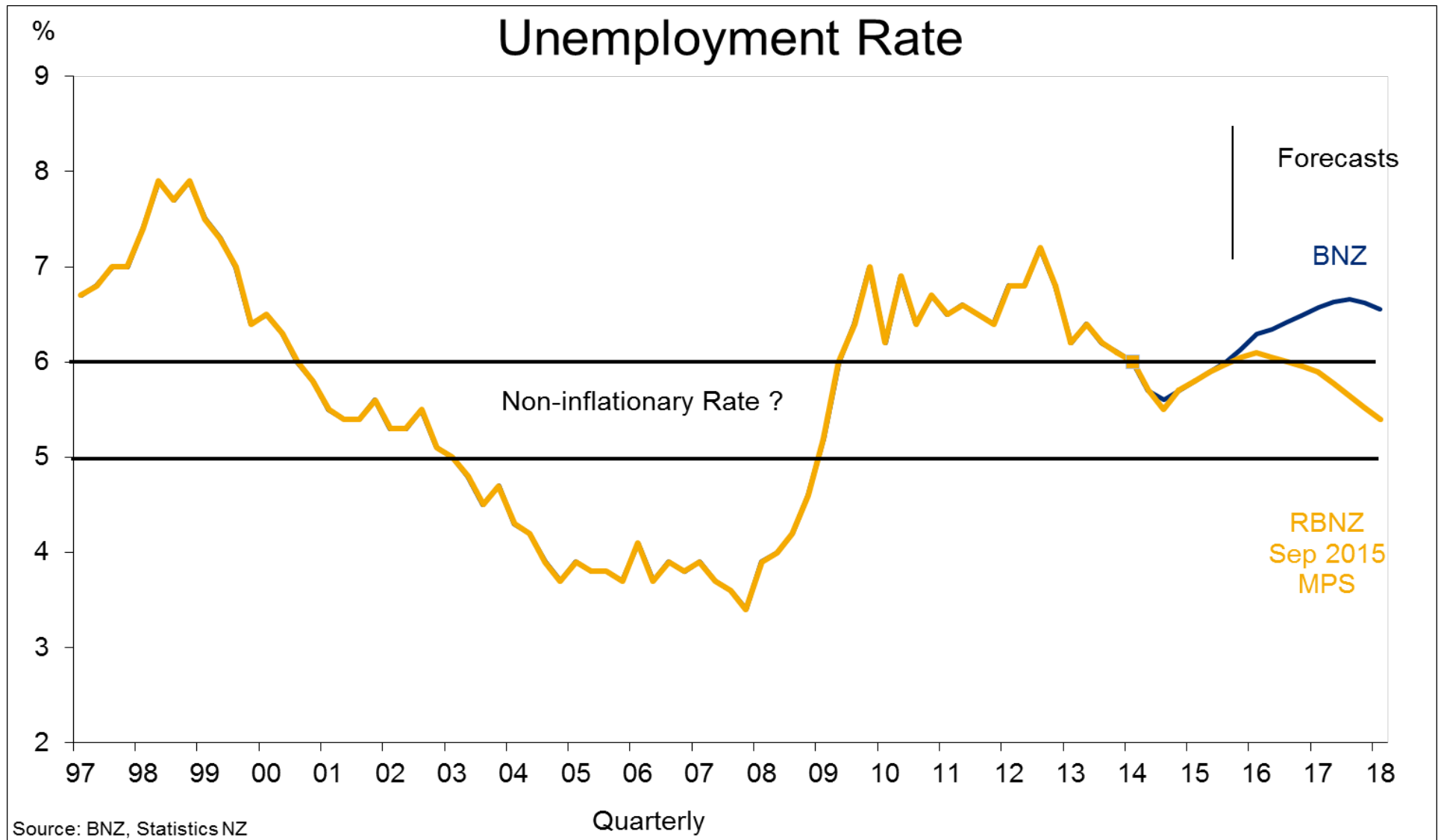
Inflation Lower For Longer



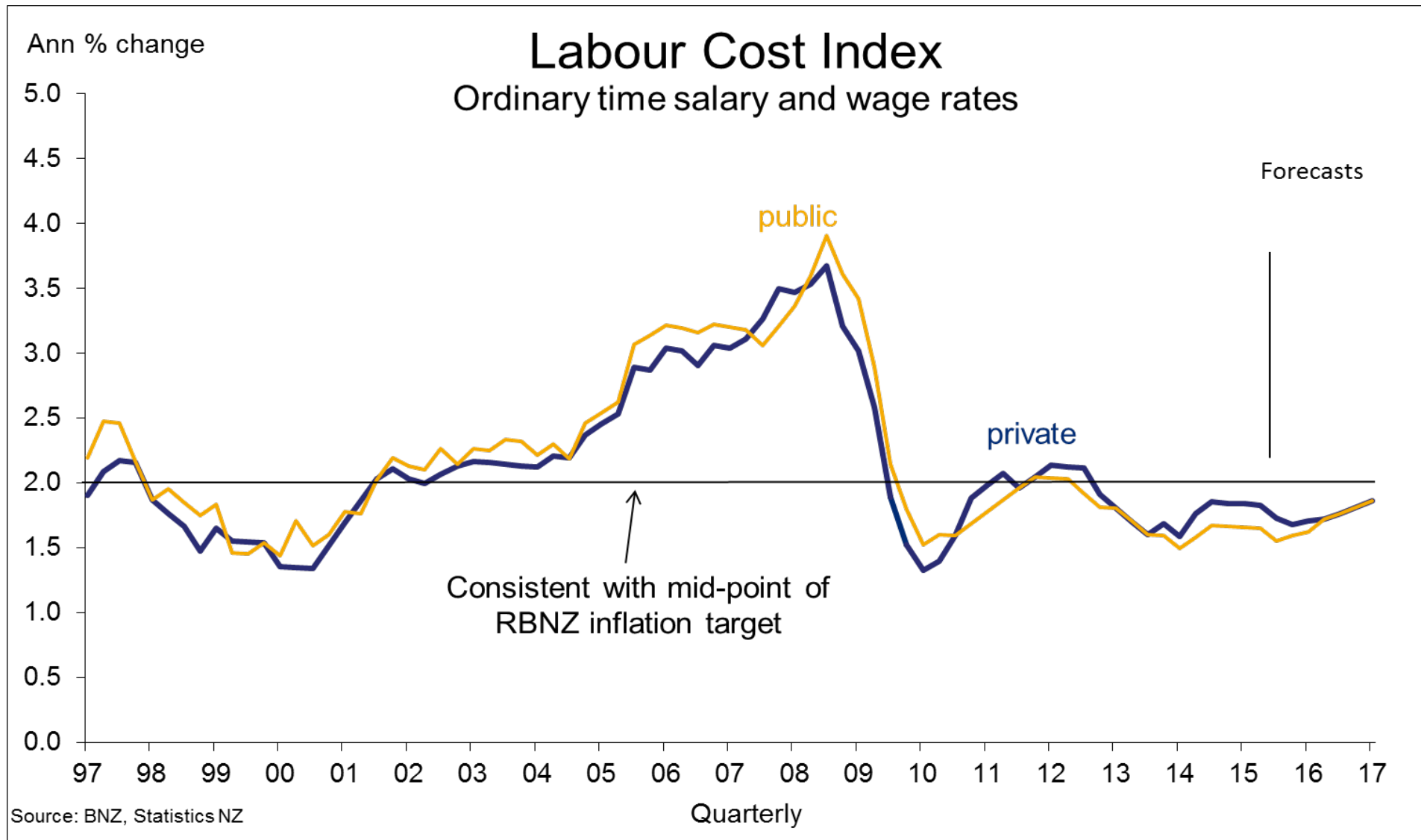
NZD Strength A Big Deal



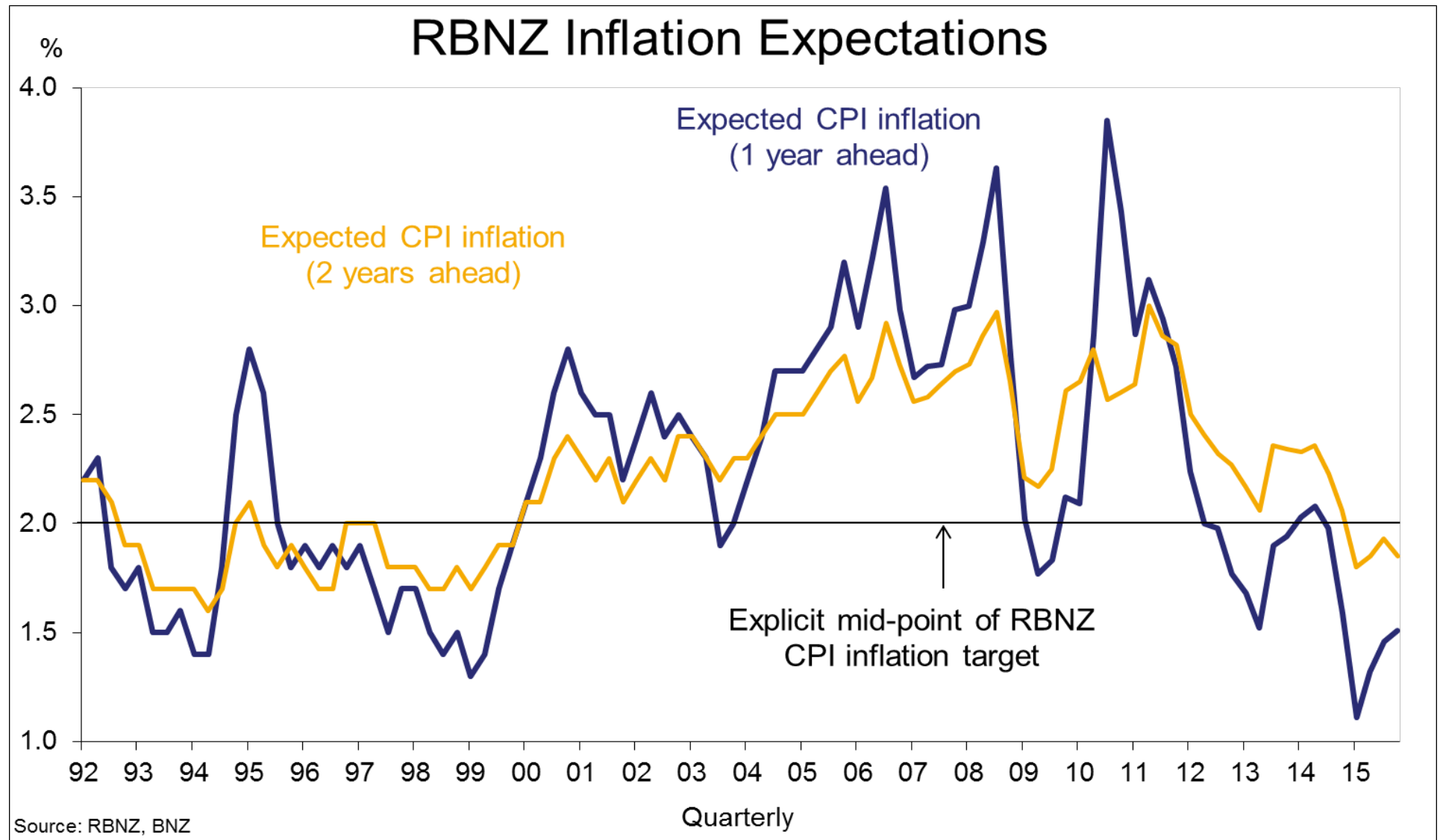
Unemployment A Problem



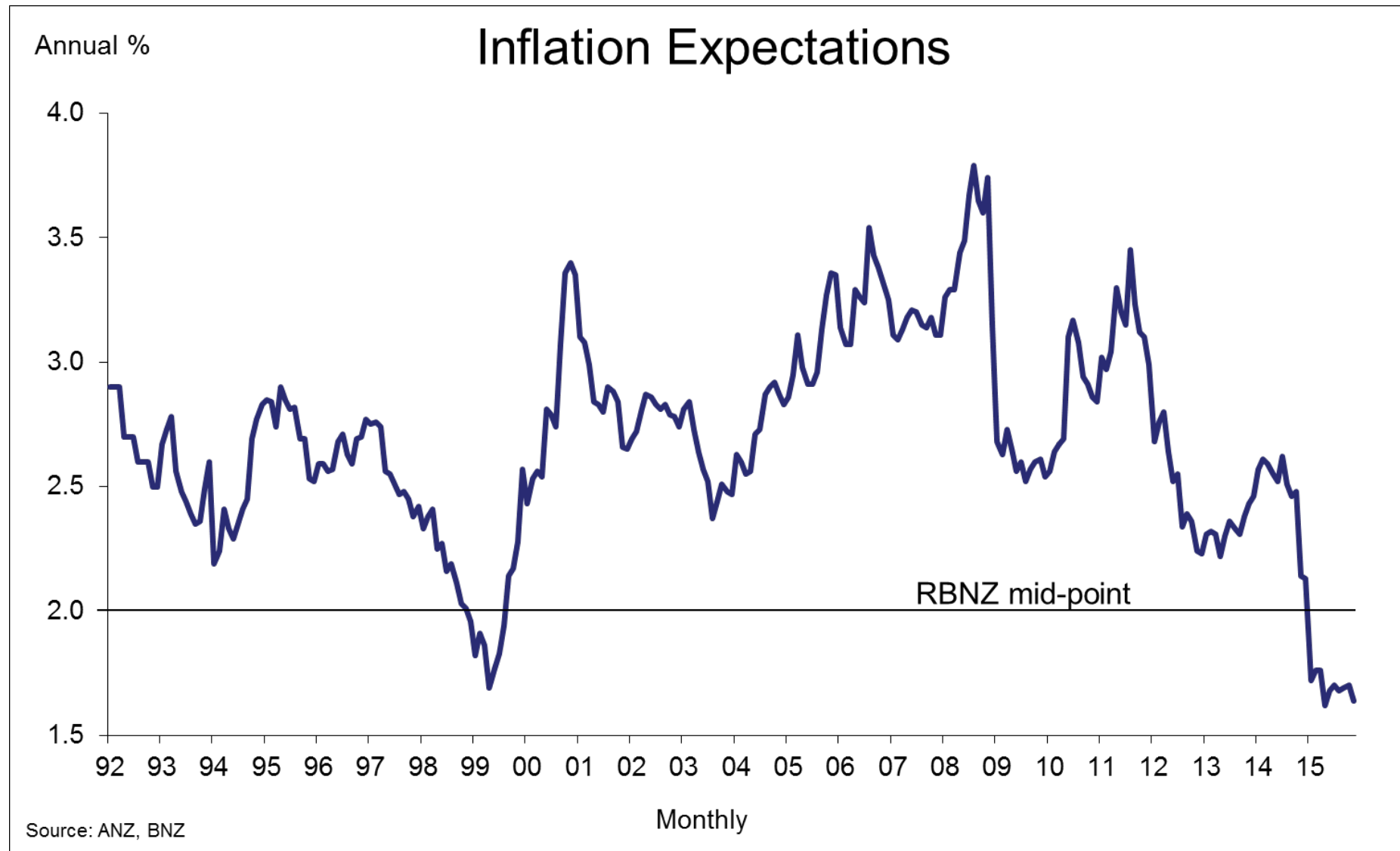
Constraining Wage Inflation



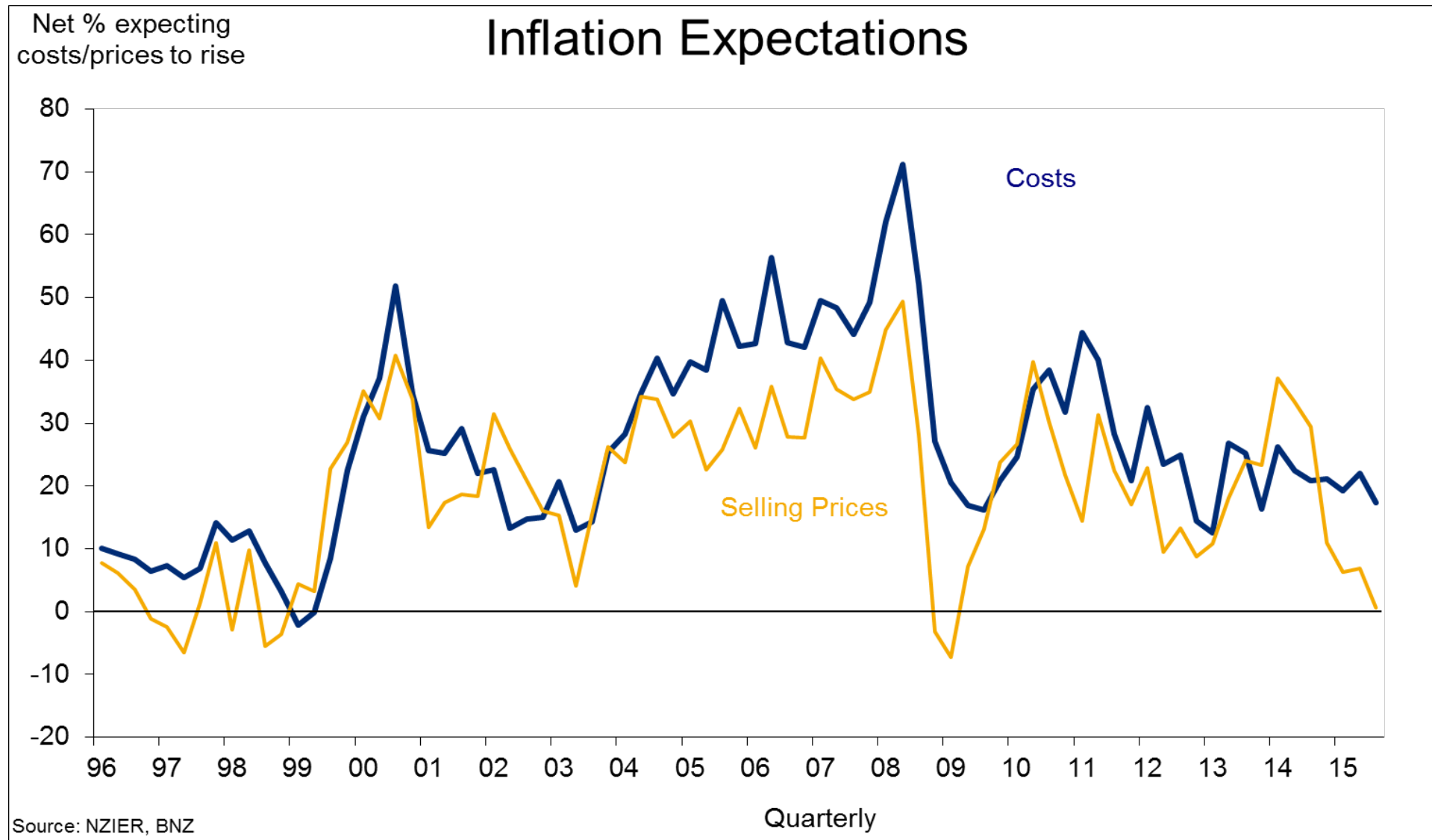
Inflation Expectations Tumble



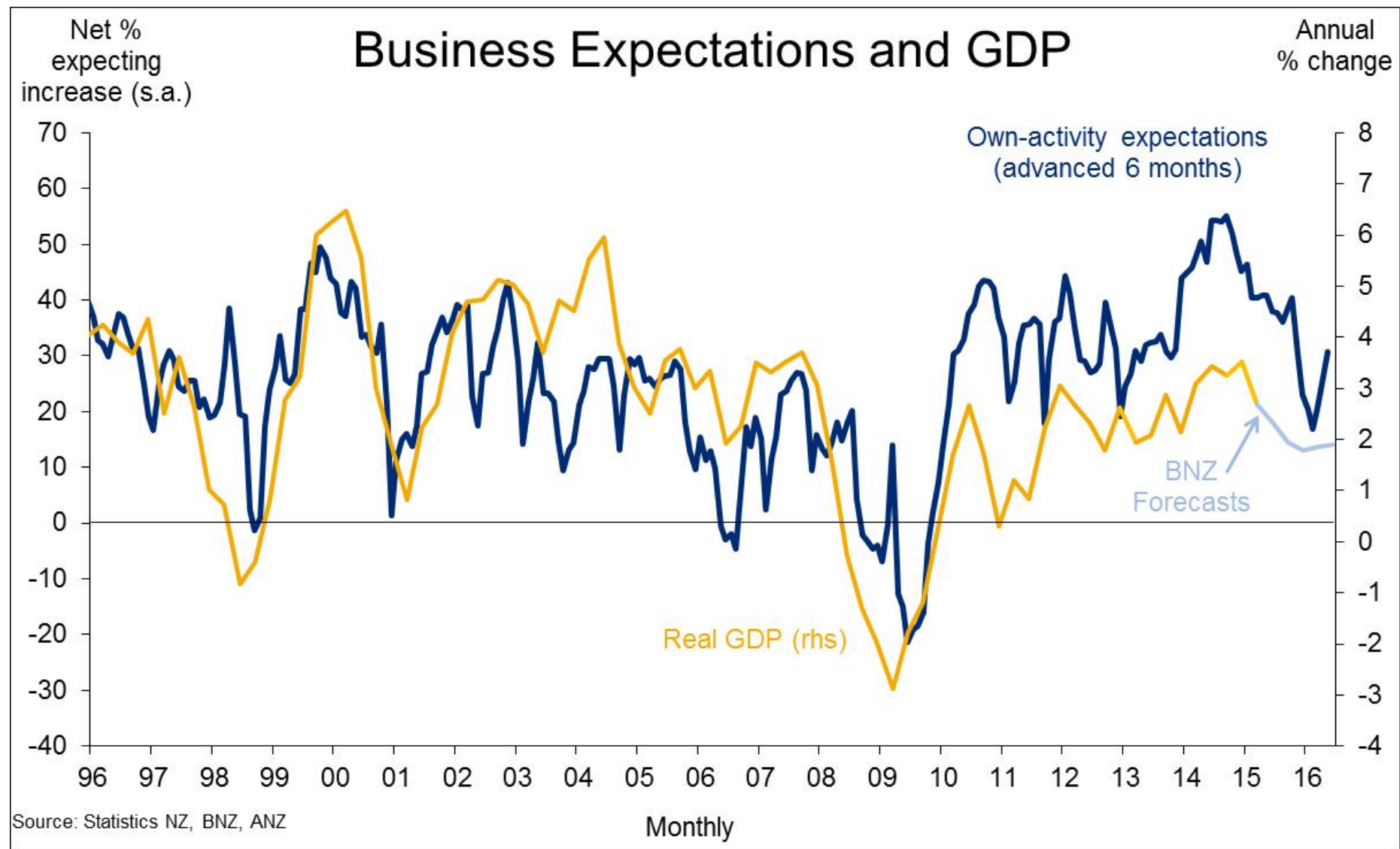
Inflation Expectations Tumble



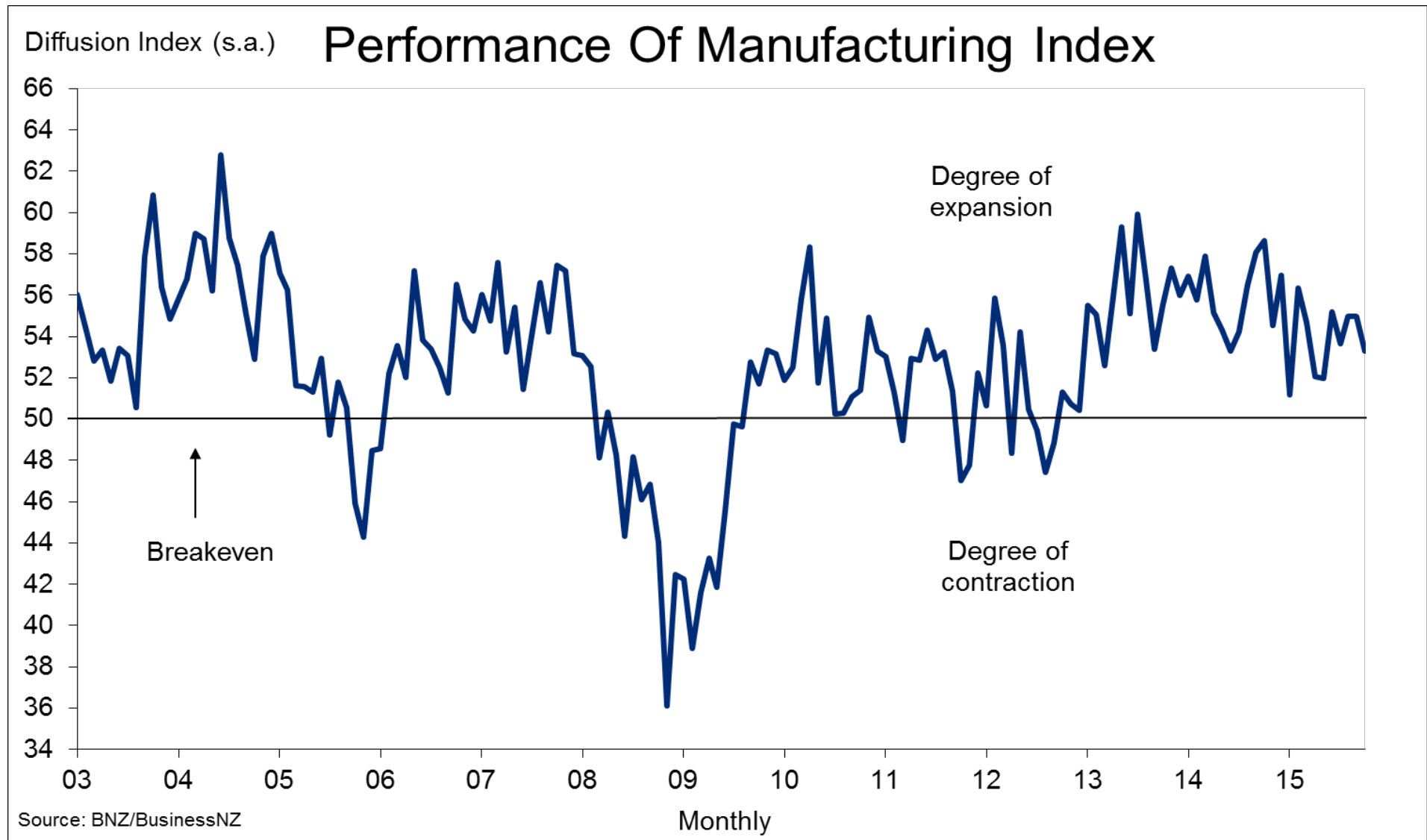
Selling Prices Too



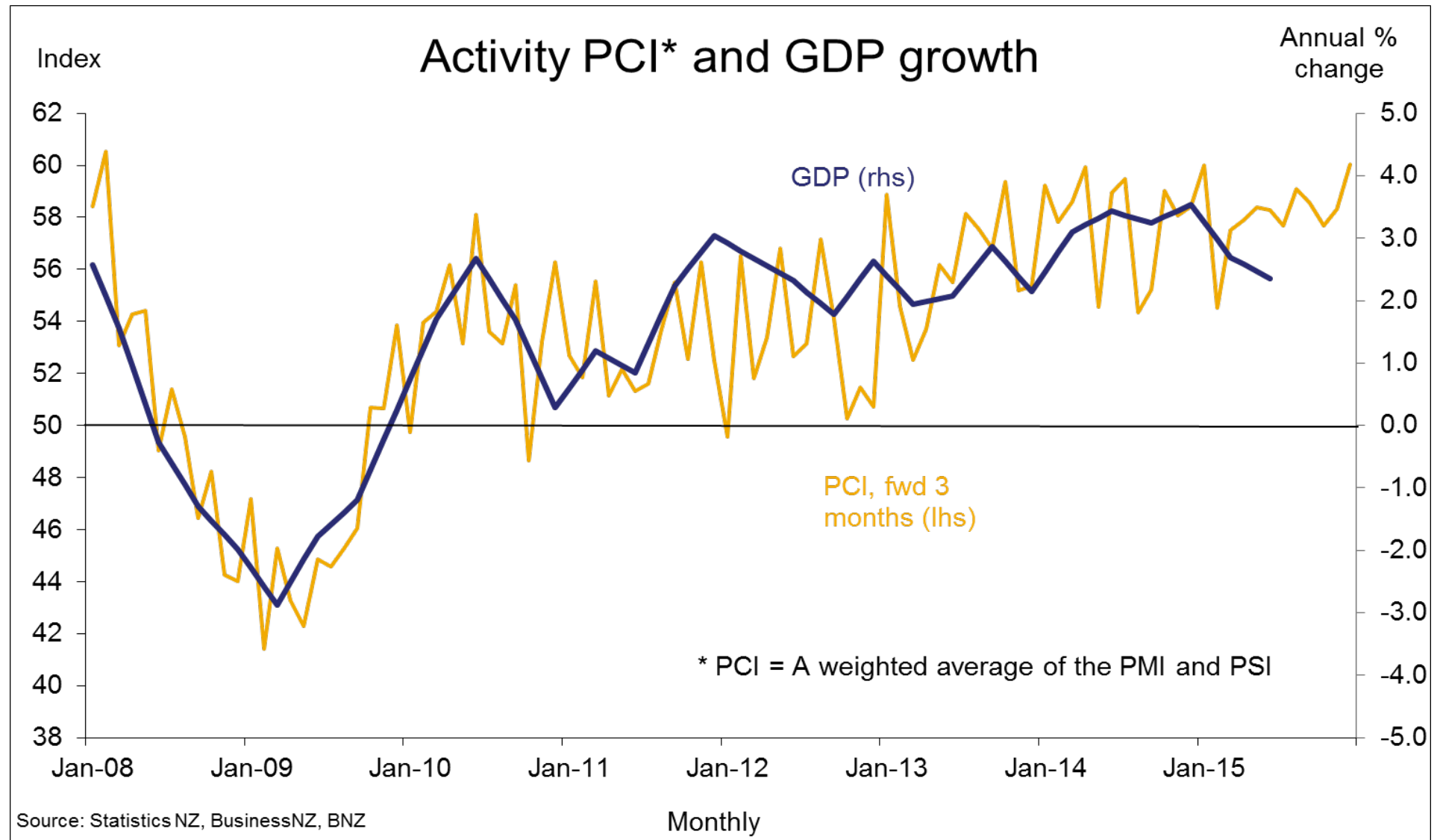
But Activity Expectations Strong

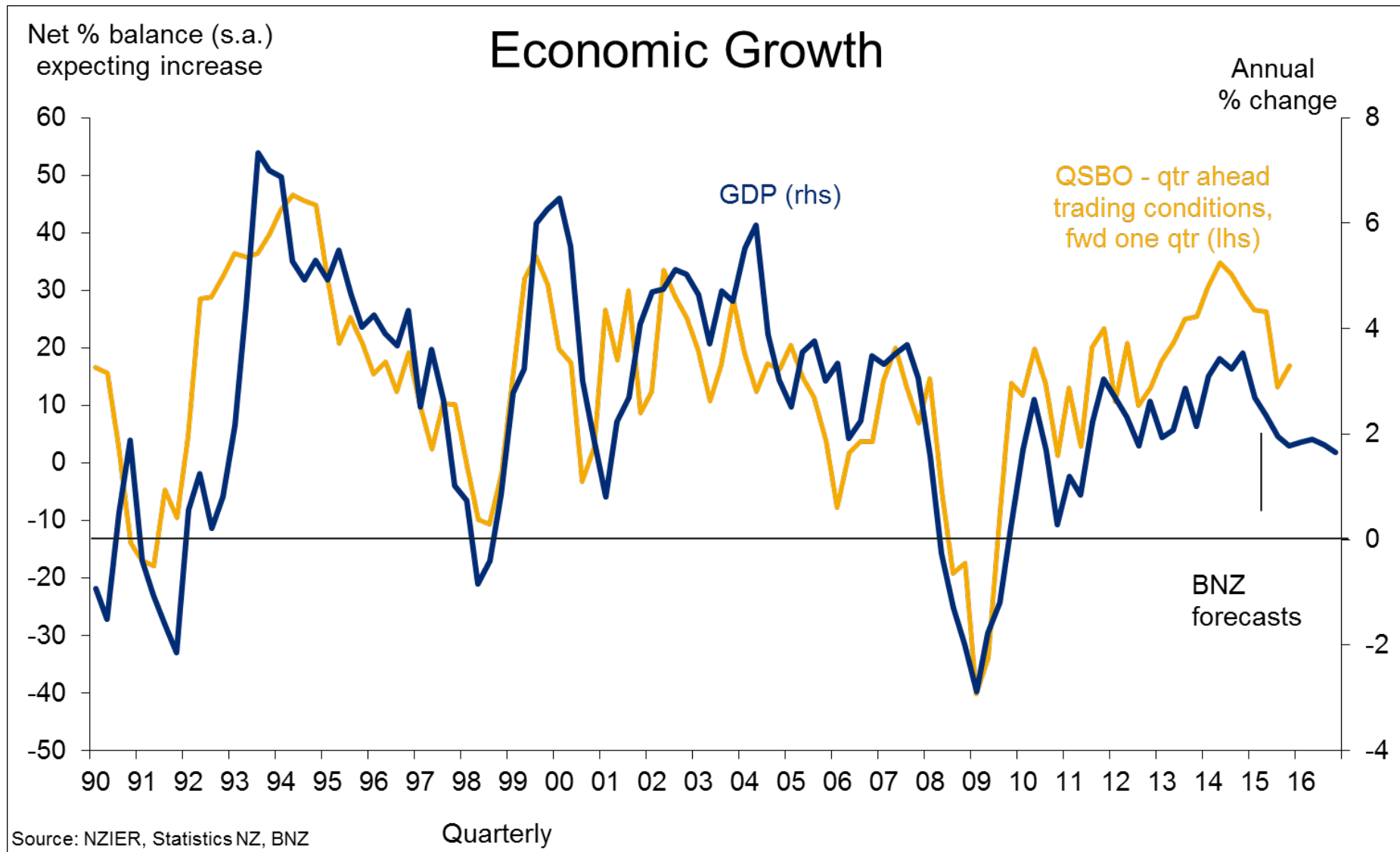


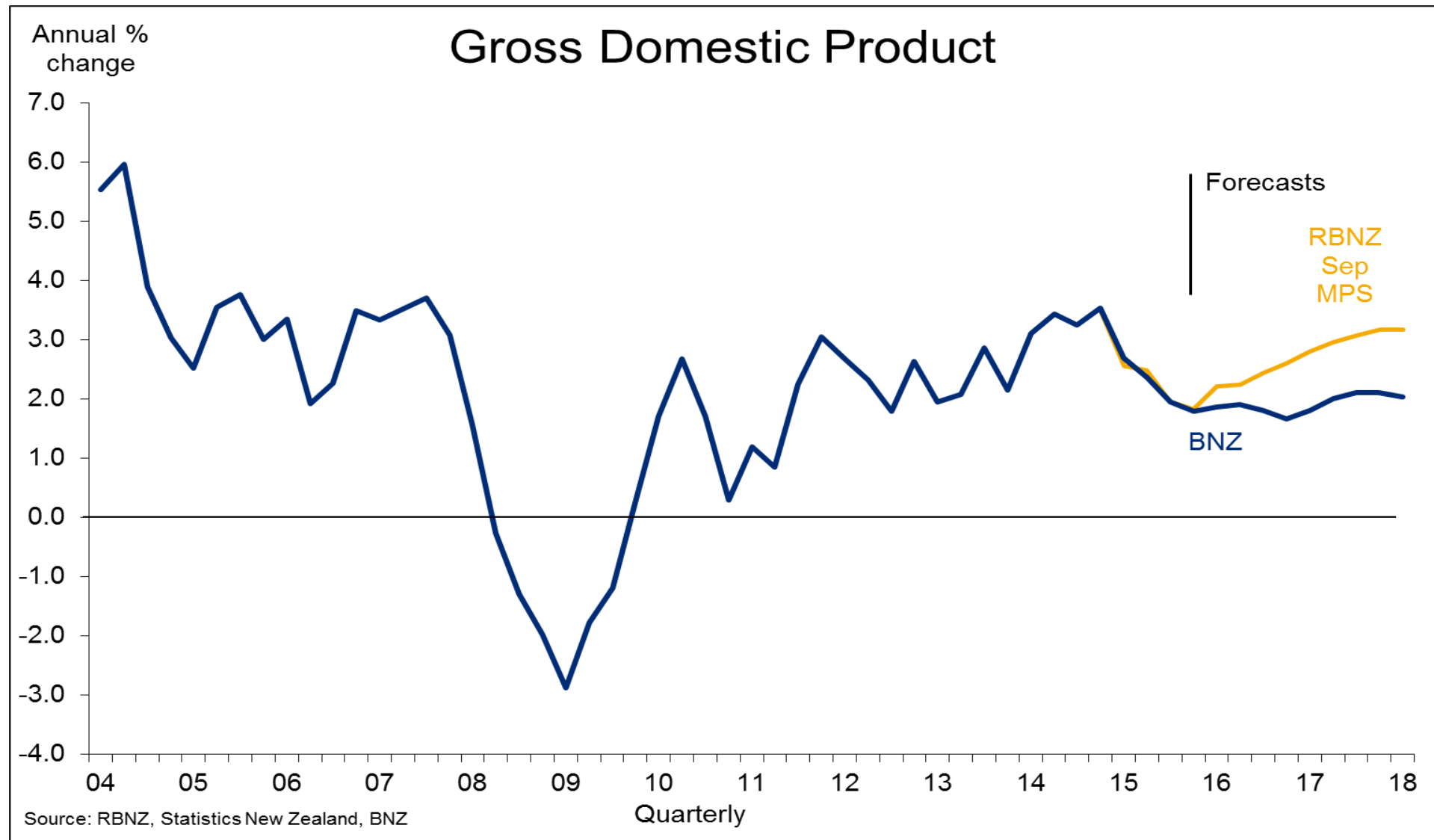
PMI Above Average



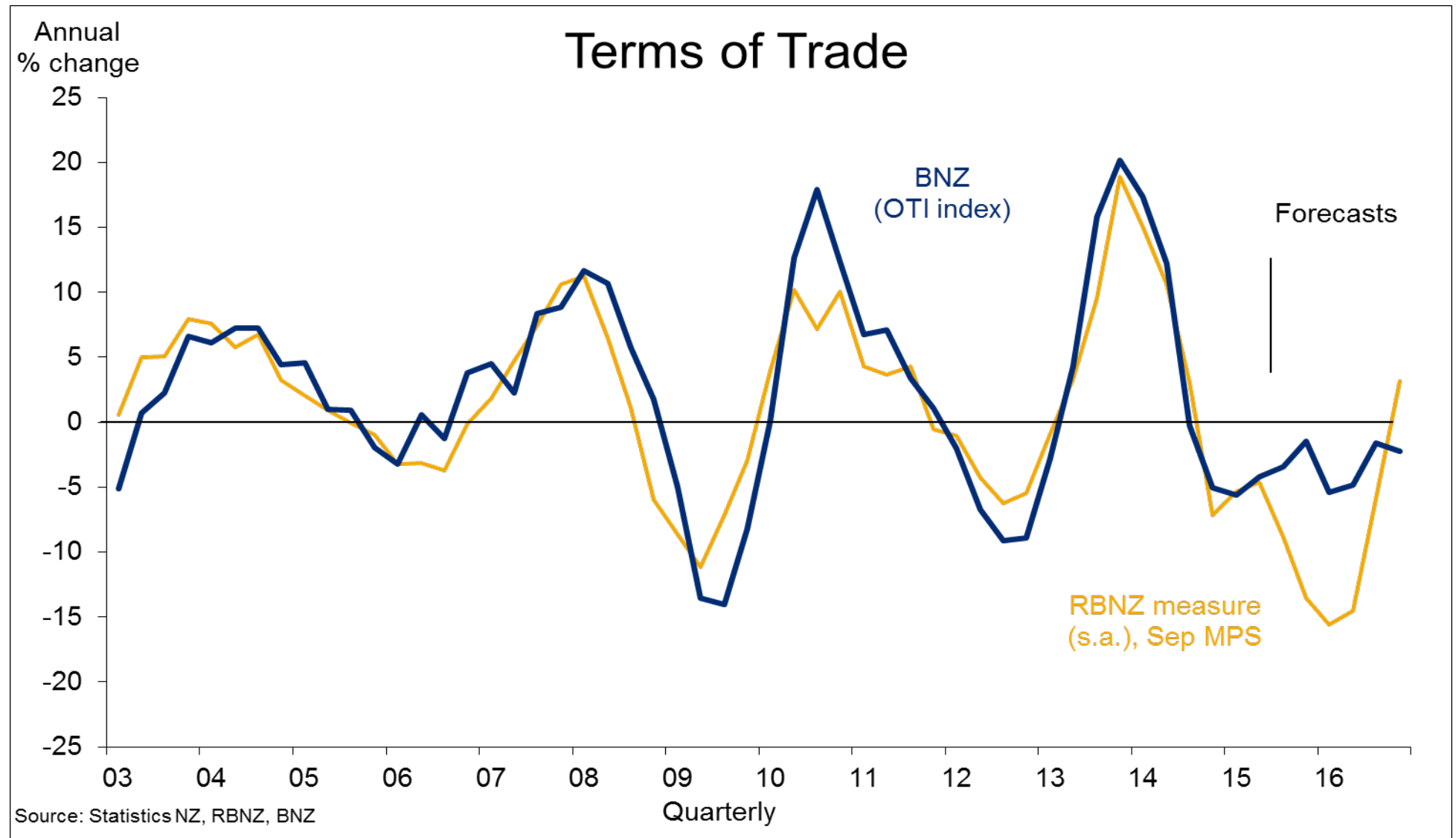
PMI + PSI Very Robust



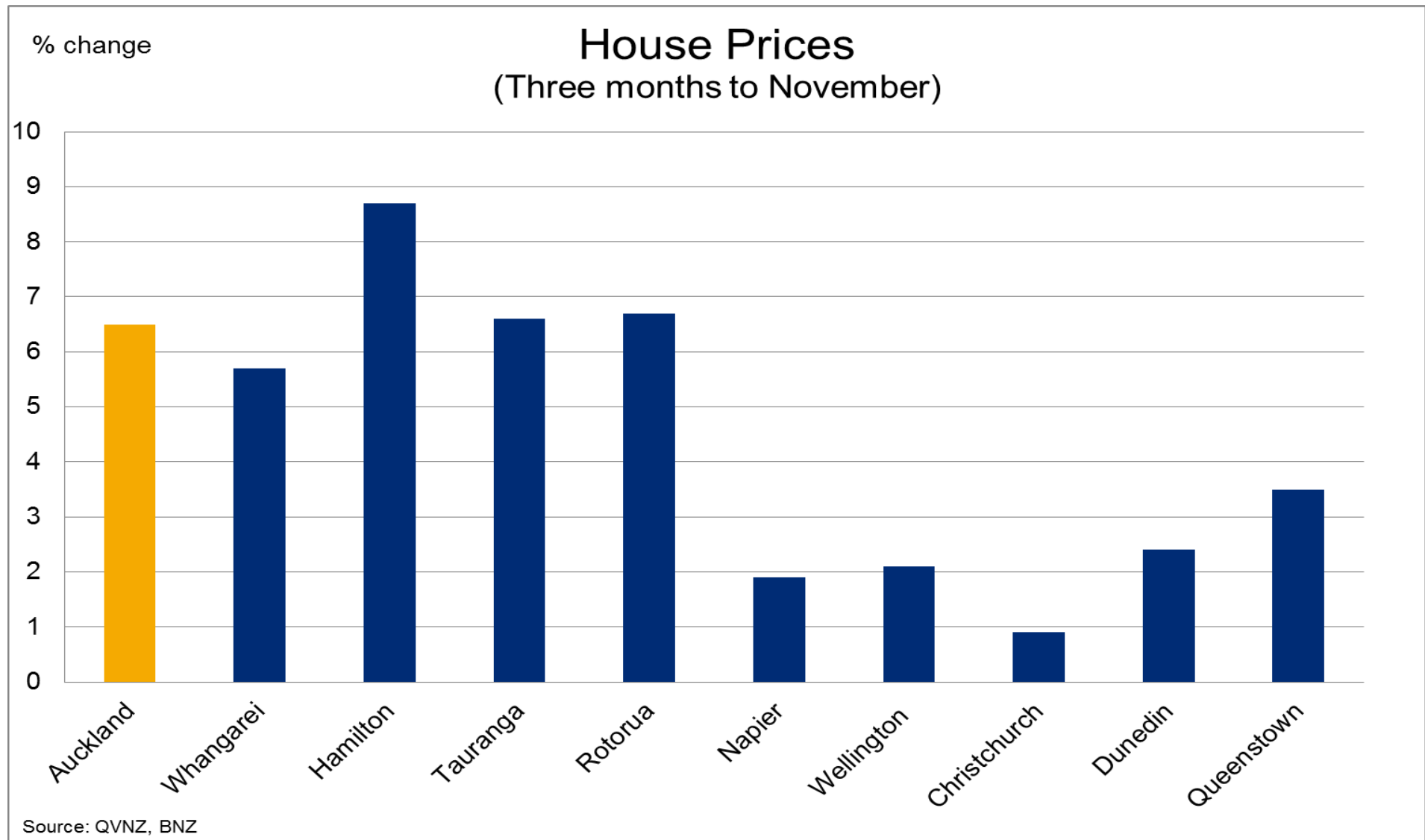


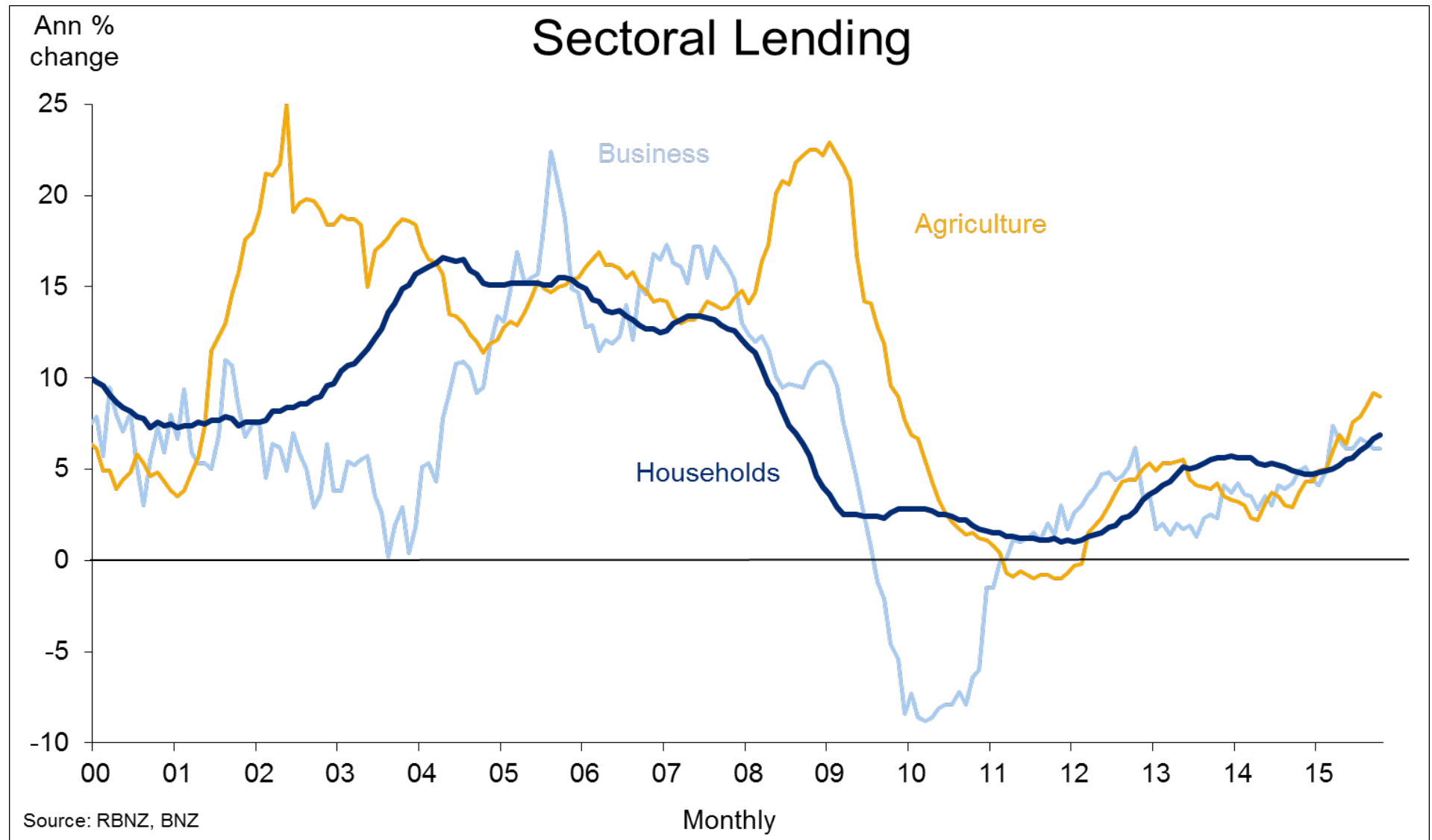


Terms of Trade Surprises

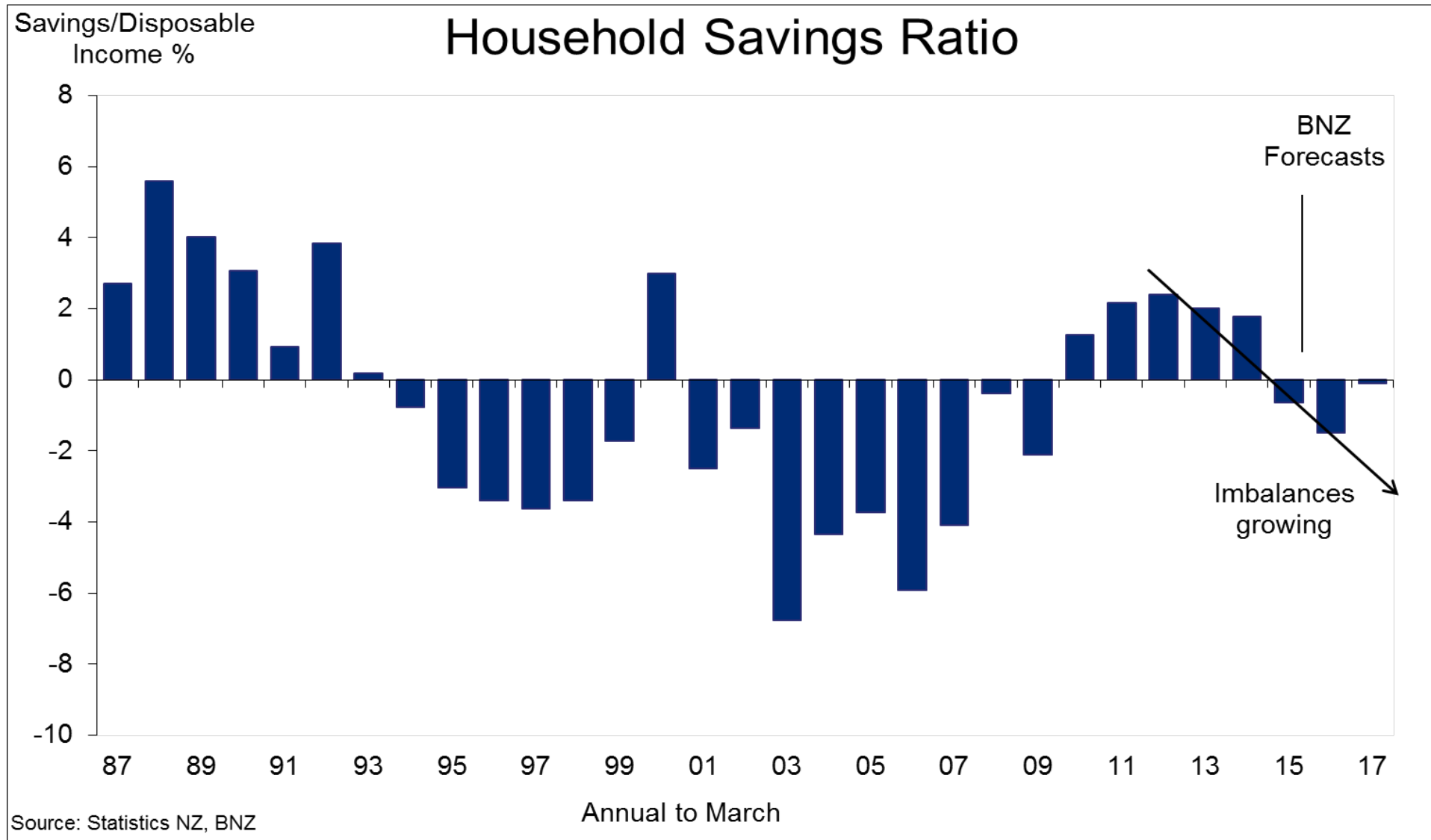


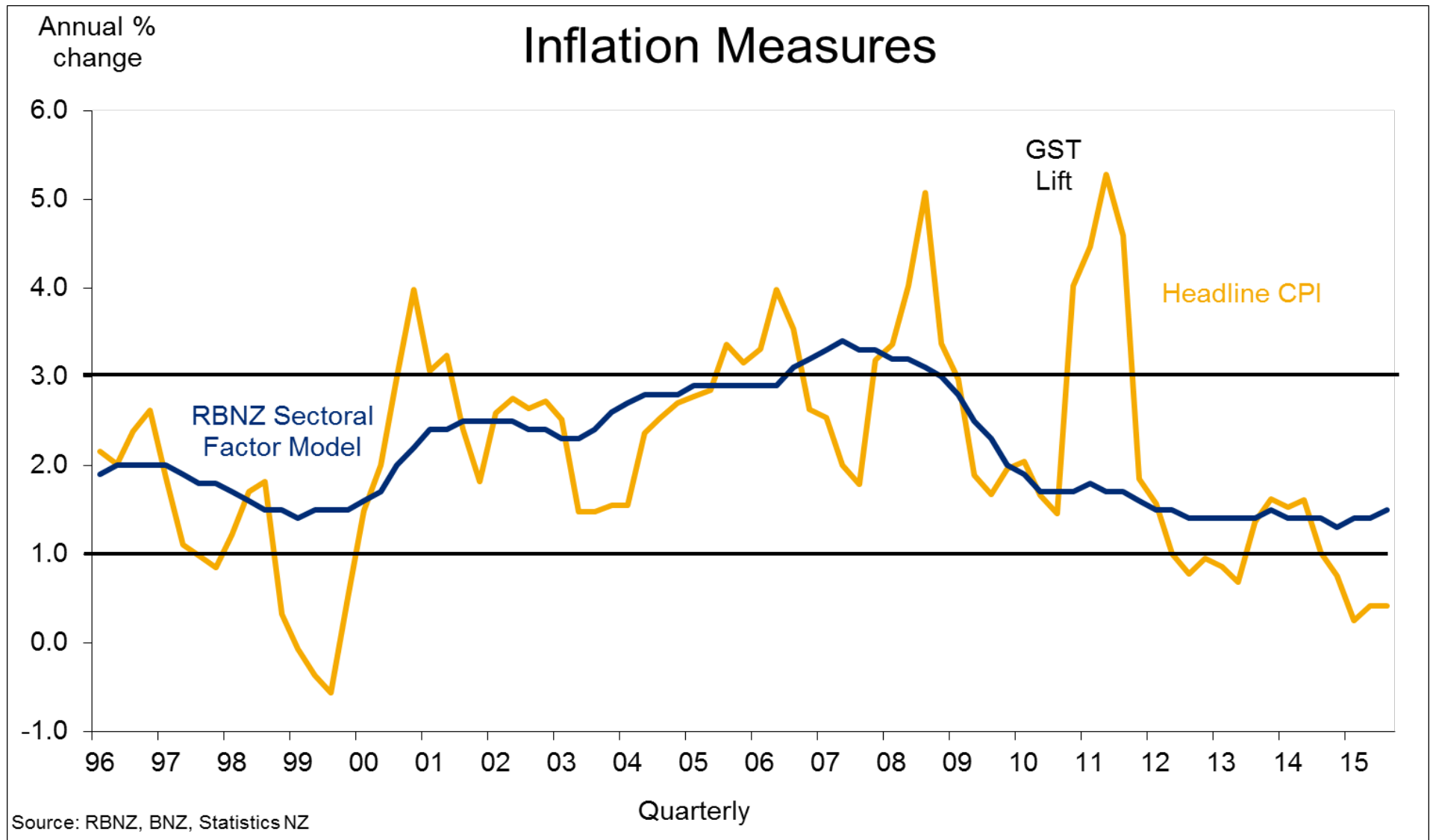
House Price Inflation Spreads





And Savings Are Eroded





The RBNZ's Dilemma

- *Short versus medium term outcomes;*
- *Prudential versus monetary policy concerns;*
- *Tactical versus strategic requirements.*

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