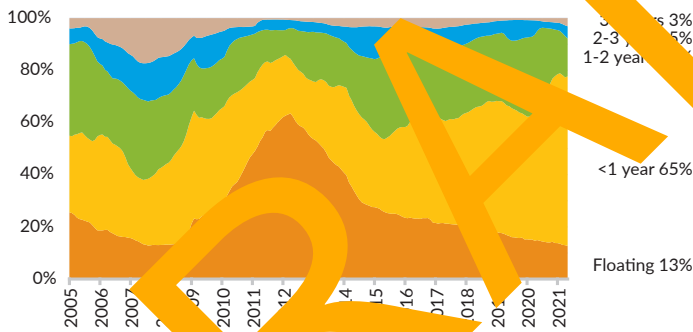


...The question now is, how far will rates rise?...



MORTGAGE TENORS: BORROWERS EXPOSED TO RATE



Source: RBNZ, Forsyth Barr

The question now is, how far will rates rise? Our base case is we expect hikes will likely be measured and modest (relative to history). The market is pricing the RBNZ's cash rate at around 1.25% by the end of 2022 and around 1.50% by the end of 2023. High debt levels, with 78% of mortgages being on terms of less than a year, means borrowers will almost immediately feel the cost of higher rates. The lack of migrants will also dampen growth in the years ahead. Further still, low rates internationally and concerns about the impact on the New Zealand dollar are likely to be an anchor for the RBNZ.

That said, we remain in a unique environment – the first global pandemic in over a century, an economy vulnerable to new virus variants and a slow vaccine rollout, interest rates at human-history lows, high debt levels, uncertainty around migration and trade flows. The risk to the outlook remains broad.

Understanding that sudden changes in financial markets can cause concern or indicate opportunity, your Forsyth Barr Investment Adviser is available to provide you with advice and assistance at any time.



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