

Broadbase International Newsletter – August 2008

In place of the Economic Commentary and graphs that we have been sending out monthly for some time, we will now be periodically providing NZ economic information that is more tailored to the main readership of our newsletter, Brits intending to emigrate to New Zealand or already living in New Zealand. We hope that you enjoy our August edition, a “NZ Economy Special Edition”, and welcome your comments and suggestions.

A version of this article will also be published in the next [New Life New Zealand](#) newsletter.

How has the Credit Crunch affected New Zealand?

With the doom and gloom spreading through worldwide financial markets, you may be interested in how the economy is looking in New Zealand, and how this will affect you as a prospective migrant.

It is widely believed that the New Zealand economy is now in recession, although the official figures are not due until next month. A recession is defined as two consecutive quarters of negative growth in the Gross Domestic Product. Consumer confidence in New Zealand is certainly lower than it has been for some years, with people really feeling the pinch with increased food and fuel prices.

So how does the wider New Zealand economy look for British migrants?

Exchange Rates

If you have pounds to change into dollars at the moment, you have reason to be optimistic: a favourable exchange rate can make a huge difference in the number of New Zealand dollars you have to start your new life. The pound to dollar rate improved dramatically when the Official Cash rate was cut from 8.25% to 8.00% on 24th July. Further cuts are predicted - the ASB Bank expects cuts of 0.25% until the OCR is around 6.75%.

If you changed £100,000 at the lowest rate this year (in February), you would have received around \$242,000. At the best rate so far this month, you would have received around \$273,000 – a significant difference of \$31,000 in your pocket. If the exchange rate reaches 2.95, which it was briefly late last year, the difference would be \$53,000. For more information on how to get the best possible rate for your pounds when you emigrate, please take a look at the [Foreign Exchange](#) section of our website.

Interest Rates

As mentioned above, the OCR is now 8.00% and is expected to be cut over the coming months. A typical variable mortgage rate in New Zealand is currently 10.75%p.a., with fixed rates ranging from 9.75% for 6 months to 8.95% for 24 months. Mortgage lending has tightened somewhat in the last 12 months, but if you have a job and can put down a reasonable deposit of around 15-20% then you should be able to get a mortgage without too much trouble, even as a new migrant with no banking history in New Zealand. We may even be able to arrange pre-approval for a New Zealand mortgage for you before you leave the UK to help you to understand exactly what kind of home you will be able to afford.

Have a look at the [New Zealand Mortgages](#) section of our website for further details. It is just one of the articles in our [New Zealand Housing](#) section, which will give you a good idea of housing types and find out more about buying or renting a home in New Zealand.

House Prices

High interest rates over the last 12-18 months have had the desired effect on the New Zealand property market, with house prices even falling in some areas. After record increases over the past few years, many New Zealanders home owners are finding the prospect of falling values hard to stomach, and there are fewer properties on the market at the moment than when prices were at their peak. The expectation is that the market will remain flat for some time, although the prospect of progressive interest rate cuts over the coming months may start to reverse the slowing market.

It is a buyers market and those looking to purchase a property in New Zealand in the next 6 to 12 months will be in a strong negotiating position as property investors look to rationalise their portfolios. You'll also have a wider choice of rental property in most areas of New Zealand, and landlords are more willing to negotiate on rents in order to keep properties tenanted. To check out house prices in the main regions in New Zealand, take a look at: <https://www.qv.co.nz/onlinereports/propertyvaluemap.htm>

Property values have also declined in the UK over the past year or so, which may leave you wondering whether to sell up or rent out your house in the UK and wait for prices to improve – [you'll find more information on the practical and tax implications of letting your UK home when you emigrate on our website.](#)

Investing

New Zealand banks (which are mostly owned by Australian banks) have remained stable through the credit crunch, but a number of second and third tier property lenders have gone into receivership or have ceased trading. These failures have received a lot of media attention as many individual investors have had exposure to these companies as well as the focus on the quality of the management and investment advice given. There is a lack of confidence in most assets at the moment and investors are shunning the NZ and Australian markets and putting their money into cash at the bank. The performance on the NZ and Australian stock markets are quite volatile (in line with many other stock markets) with many managed funds showing negative performance over 6 and 12 months.

As in any market, the keys to successful investment are diversification and time. Experienced investors are still seeing a lot of value in the stock markets, which you can access through direct share investment or more conservatively with managed funds. We can also help you to get attractive interest rates for your cash investments, whether they are in dollars or pounds. For more information on your options for investing in New Zealand, including your tax position as a migrant, take a look at the [New Zealand Investments](#) section of our website.

Unemployment

The New Zealand unemployment rate unexpectedly rose in the first quarter of 2008 but since then has been fairly consistent at just under 4%. The official rate in the UK is by comparison 5.2% for the 3 months to May 2008.

There are reports every couple of weeks in the New Zealand media about manufacturers moving operations offshore, which is often devastating for small communities. But overall demand for skilled workers remains high, and the job market is still buoyant. New Zealand employers have become more open to looking offshore for employees, as demonstrated by the [New Zealand Immigration Skills shortage list](#); as ever in New Zealand, there are good opportunities for people with the right skills and attitude.

In Conclusion

Nobody knows how long the current global downturn will last, with "expert" predictions ranging from several months to several years. New Zealand appears to be weathering the current storm as well as any other developed nation, and the outlook is still good for those looking for a new life in New Zealand.

Until next month then...

Wishing you well until we are next in touch. Please feel free to contact [Jeremy](#) or [Steve](#) any time if you have any questions about the financial side of life in New Zealand.

Information in this newsletter is of a general nature and is not intended as a substitute for professional advice based on your individual circumstances. Disclosure Statements under the Securities Markets Act 1988 relating to the financial advisers associated with this newsletter are available on request and free of charge.

If you wish to unsubscribe to our newsletter, please reply to this email with "unsubscribe" in the subject line. If you have been forwarded this newsletter by a friend and wish to subscribe, please reply to this email with "subscribe" in the subject line. We will not pass your contact details on to any other organisations without your express permission.

© 2008 Broadbase International Ltd., Phone +64 3 961 1720, Level 2, 217 Gloucester Street, Christchurch, New Zealand. www.broadbaseinternational.com, www.broadbaseimmigration.co.uk