A reminder about the NZFMA

Peak industry Body for the Financial Markets

Governance

Board

Committees

RBNZ Observer Status

CEO

Key role – Benchmark Administrator, Advocacy, Accreditation, Documentation etc
Key Economic Indicators

GDP and estimated potential output growth
(*annual, dashed lines represent forecasts*)

Source: Statistics New Zealand, RBNZ estimates.
Economic Activity

- Economic growth driven by:
  - Reconstruction work in Canterbury & Auckland building activity
  - Record prices for commodities
  - Net immigration inflows

- Reserve Bank Actions
  - Loan to value ratio restrictions
  - OCR increases of 100bp between Mar & July
  - NZD/USD intervention
Economic Indicators cont.

CPI inflation
(annual)

Source: Statistics New Zealand, RBNZ estimates.
New Zealand’s Economy

- National led Government re-elected Sept
- Growth has peaked 3.7% to 2.7% 2015
- Large decline in global dairy prices
- Inflationary pressures remain subdued
- Interest rate increases on hold for 2014
- Fixed income rates will remain stable
- A cut in the dairy payout to farmers will have broad ramifications for the economy, interest rates & the currency
Economic Indicators cont.

10-year government bond yields

Source: Reuters.
Economic Indicators cont.

Unemployment rate
(seasonally adjusted)

Source: Statistics New Zealand, RBNZ estimates.
Key Issues – Regulation

- Financial Markets Conduct Act
  - 1st phase of regs came into force 1 April 2014
  - Implementation of Derivative licensing regime
- OTC Derivative Reform
  - The Reserve Bank is consulting with industry over various implications of trade reporting and CCP’s
- Credit Contracts and Financial Services Law Reform Bill
  - Financial service providers Act 2008 – registration & disputes
  - Credit Contracts and Consumer Finance Amendment Act 2014 – responsible lending code
Key Issues – Election Outcome

- National led government (middle to re-elected for third term with 48%)
- Almost an outright majority to govern alone
- Centre left Labour experienced worst result in 92 years
- No clear alternative policy & unpopular capital gains tax
- After 6 years of austerity measures – growth
- Commitment to a business friendly agenda
Key Issues – Benchmarks

- NZFMA is the benchmark administrator for:
  - BKBM = Interbank unsecured lending rate
  - Also a range of Market Closing Rates
  - Contribution reluctance
  - Alternative collection being developed
  - Complex rules and calculation methodology
  - Result in less reliance on panel bank contributions