



RODNEY'S RAVINGS

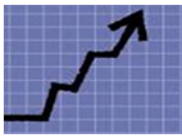
This is the home of past editions of [Rodney's Ravings](#).

It represents our attempt to help people better understand some of the big-picture economic issues of on-going relevance. The reports are unashamedly tainted by our view of things economic and not everyone will agree with our perspective, while we make no apology for our occasional non-PC transgressions and our inclination to put the boot into economic forecasters.

Click on the report titles to download the reports in pdf format.

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- [Some perspectives on the latest tourism boom](#)
- [Ill-found views pervade economists' exchange rate predictions](#)
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- [A mounting case for being sceptical of official economic data](#)
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- [Getting ahead of the economic forecasters](#)
- [Local house price and residential building prospects](#)

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The new behaviour of rents puts house prices at risk

Immigration policy is handicapping much of the country

Labour's 4% unemployment target is political nonsense

Governor Wheeler is steering the economy towards another recession

The labour market poses a major threat to the housing market

Applauding the government's community housing initiatives

It is finally time to take the risk of OCR hikes seriously

Insights into the dairy export boom and some interesting implications

Dubious justification for bank lending restrictions

Perspectives on the surge in immigrant workers

The rapidly growing importance of China to commodity exporters and tourism

Nothing good will result from the Reserve Bank's lending restrictions

Japan - the good, the bad and the downright ugly

Perspectives on the government's housing initiatives

Prospects for the financial crisis and some implications for NZ

The importance of the US housing market revisited – US housing market developments have important implications for NZ interest rates and NZ housing market prospects.

How did summer treat coastal and resort property markets? – this Raving revisits a number of the coastal and resort markets we have researched in detail and offers insights into property price prospects.

The tumbling yen, falling vehicle prices and some other implications – this Raving looks at some of the local and international implications of the tumble in the yen in the last year.

Rents versus house prices and rent increases in your neighbourhood – this Raving looks at why rent increases have lagged increases in house prices at the national level and the performance of rents at the regional, district and suburb levels.

Is Governor Wheeler about to repeat his predecessors' mistakes? – If the governor cuts the OCR in response to the high exchange rate it is likely to backfire.

Investing in the share market revisited – this Raving revisits the link between economic cycles and the performance of the share market.

Regional housing and economic prospects - this Raving provides insights into the sorts of things that determine whether regional performance varies significantly from national performance.

Agricultural production, economic growth and OCR decisions

Regional winners and losers from the evolving economy – some regions and especially Auckland will benefit much more from the jobs that will be created by "new economy" companies.

What if the financial crisis starts to abate more in 2013? – This Raving looks at some of the interest rate implications of the financial crisis healing.

Mistakes Governor Wheeler needs to avoid repeating - This is a public plea to Governor Wheeler to avoid marching interest rates up the hill, just to march them back down again.

The US oil and gas "revolution" has major global implications

Coastal property prices remain at risk in many locations

A range of migration and population growth insights

Section prices and the housing affordability time-bomb – residential section affordability is a more severe challenge than housing affordability, with this Raving looking at the issue from several perspectives.

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Quantifying the housing affordability time-bomb – super-low mortgage interest rates are disguising part of the underlying housing affordability problem, but this will not remain the case indefinitely.

The vital role a US house building recovery will play – around half the normal number of new one-family houses are being built in the US, which means there is the potential for a strong recovery once the overhang of foreclosed houses banks have for sale dwindles.

An optimistic perspective in NZ's economic growth prospects – this Raving reviews the sorts of innovative companies that will drive employment and export growth.

China – it is time to take the risk of a hard landing seriously – the housing bubble in China may finally be starting to unravel with significant negative implications for near-term economic growth prospects despite lots of positive still for medium-term growth prospects.

Property prices and dairy product prices have much in common – this Raving looks at how demand, supply and prices interact in the property and dairy product markets.

The NZ and US, oil and gas bonanzas and some implications – this Raving updates and extends the discussion of a potential boom in oil and gas exploration covered in an early Raving.

Lessons to be learnt from the Bollard-era and implications for the choice of the next governor.

Is it timely to put some shares in the Christmas stocking? – This report revisits the issue of using recessions to provide better opportunities to invest in shares.

Christmas is time to celebrate the dismal science of economic forecasting – this Christmas Raving looks at why the economic forecasters should be sainted.

Insights into the behaviour of commodity export prices – in April the RBNZ suggested that a structural change meant export prices would largely remain elevated following the major boom in 2010-11, but this view didn't take into account how consumers and producers respond to spikes in prices.

The NBNZ survey and the use and abuse of leading economic indicators – leading indicators can provide useful insights into near term economic prospects, but not if they have gone AWOL.

A review of the economic forecasters' track record – this is the first of what will be annual reviews of the track record of the economic forecasters.

Governor Bollard doesn't need to deliver early OCR hikes – Bank economists are barking for early OCR hikes, but a balanced consideration of NZ and international economic prospects suggests that there is no need for urgency in delivering the first OCR hike.

A superior approach to making OCR decisions – This report proposes a superior approach to making OCR decisions than the one currently used by the RBNZ. The RBNZ's current approach creates unnecessary instability in interest rates, housing market activity, economic growth and possibly also in the exchange rate.

The fundamental flaw in the way OCR decisions are made – This report reviews the forecasting-based approach the RBNZ uses for making OCR decisions and finds that it is flawed and contributes to the central bank exacerbating cycles in economic growth.

Is the Reserve Bank the cure of the disease? – This report reviews New Zealand's experience with an independent central bank since 1989 and concludes that the RBNZ is more often the disease rather than the cure.

An update on putting the business confidence surveys in perspective – Not only do the overall business confidence surveys no longer give reliable insights into near-term economic growth prospects, but some of the industry/component surveys have also become unreliable indicators of industry prospects.

Putting the misleading business confidence surveys in perspective – Some bank economists continue to interpret the business confidence surveys literally in assessing economic growth and interest rate prospects, which is completely unjustified because business confidence has gone AWOL.

How the Economy Works – How economic cycles impact on a wide range of industries – This is the fourth chapter in an educational booklet on how the economy works that shows how economic upturns and downturns impact on turnover/activity in a wide range of industries.

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Business risk management – If economic growth, the housing market or interest rates impact on your business then read on.

Time for at least token OCR cuts – OCR cuts should have been on the RBNZ's agenda even before the horrific earthquake in Christchurch on 22 February.

Lessons to be learnt from 2010 – Economic growth was, for good reason, much weaker in 2010 than the RBNZ and economic forecasters were predicting.

The Real Housing Market Story – How to assess whether housing is a good investment option – This is the third chapter in an educational booklet on the housing market that should be a must read for investors and would-be home owners.

How the Economy Works – How economic upturns and downturns unfold – This is the third chapter in an educational booklet on how the economy works that shows how upturns and downturns that emanate in the housing market filter around the economy (i.e. the economic multiplier process).

Could the US economy be starting to heal itself? – This follows up on the earlier Raving that looked at the threat of further downside in US house prices, but also looks at mechanisms by which the US economy is starting to heal itself.

The Real Housing Market Story – House and section price behaviour after the speculative bubble – This is the second chapter in an educational booklet on the housing market that should be a must read for investors and would-be home owners.

How the Economy Works – The pivotal role of housing activity in economic cycles – This is the second chapter in an educational booklet on how the economy works that shows the pivotal role the housing market places in economic cycles.

The Real Housing Market Story – It is real house prices that matter – This is the first chapter in an educational booklet on the housing market that should be a must read for investors and would-be home owners.

How the Economy Works – The trade secrets of the economic forecasts – This is the first chapter in an educational booklet on how the economy works that reveals some of the trade secrets of the economic forecasters.

Property tax changes mean few OCR hikes are needed – the property tax changes have delivered the equivalent of a 1-1.5% increase in mortgage interest rates, meaning the RBNZ needs to reassess its plan to keep hiking the OCR.

Offering importers, exporters and investors quality NZD/USD insights – despite the NZD/USD being the most important exchange rate for many importers, exporters and investors, there is a serious lack of quality analysis of what drives the NZD/USD. We have filled this void.

Governments are laying the groundwork for the next crisis – the solution to the international financial crisis is laying the groundwork for the next crisis, although the next major crisis will have a longer gestation period than the latest crisis.

Time to give the residential building industry a fair go – managing a business in an industry that can grow 30% one year and contract 30% the next is a challenge. This Raving looks at the challenges facing the industry and proposes some remedies.

Housing affordability – is the solution in the wings? – plans by the government to review urban limits and the Resource Management Act offer the potential for NZ to again experiencing affordable housing.

New Zealand faces the prospect of a North Sea oil-style boom/shock – it seems to be a matter of when not if NZ makes a major oil discovery so this Raving looks at the role the government is playing in achieving this and puts the issue in context.

House and section prices, affordability and international competitiveness – NZ house and section prices remain high relative to incomes, with further adjustment likely once the veil of affordability offered by low interest rates is removed.

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The share market and the economic recovery revisited – the rise in share prices so far should just reflect the removal of the extreme negative sentiment that existed earlier in the year, with the market not close to pricing in the full extent of the strong economic recovery I expect.

Why the economic recovery will arrive earlier than is generally expected – This Raving uses the international car market to explain the major role the stock cycle will play in driving an earlier recovery in economic growth than is generally expected.

Insights into NZD prospects - This Raving looks at the impact of the financial crisis and why the NZD, especially the NZD/USD, has appreciated and why it is likely to appreciate further provided virus-infected pigs don't fall from the sky.

Recessions and investing in the share market – this Raving looks at why recessions offer a great opportunity for would-be share market investors to set up share portfolios.

How to interpret seasonally adjusted data – if it has even puzzled you what is meant by seasonally adjusted data, with seasonal adjustments often done to data on the likes house sales or migration, you should read this Raving

Positive news for economic growth in 2009 – most bank economists are picking that economic activity will fall around 1% in 2009 but there are several potential sources of positive surprise for growth that the doomsayers appear to be overlooking or discounting

Housing hell update – following on from the original Housing Hell Raving released in August of last year this report looks at how far through the housing nightmare we have come so far

Portfolio diversification – investing in a diversified portfolio has many merits but diversification has become a mantra of a marketing machine that overlooks the important need to also assess whether the markets/securities the portfolio is invested in offer good, bad or indifferent value.

Monetary policy madness – this 15 page booklet is a cut down version of the booklet produced in 2002 that identified the stupidity behind the RBNZ's inclination to march interest rates up the hill just to march them back down again, and makes a case for more stable interest rates.

The idiots guide to investment – the smell of naïve investors getting fingers burnt off has inspired me to write what will most likely be Part 1 of The Idiots Guide to Investment.

What really drives the NZD/USD - the popular view that interest rate differentials drive the NZD/USD is occasionally right, but it is only part of the story. This is a must read Raving for any firm exposed to the currency because it shows what really drives the NZD/USD

Housing hell revisited - the Raving "Are we heading for housing market hell?" (see below) has proved so popular we decided to revisit the issue of whether NZ faces the risk of an imminent large fall in dwelling and section prices.

Are we heading for housing market hell? – the historical experience with the busts that follow major booms in house prices provides some sobering insight into what might follow NZ's unfolding house and section price booms.

Inflation causes, costs and cures - attempts to boost economic growth on a permanent basis by running more inflationary economic policies will eventually backfire because the costs of higher inflation will come home to roost.

The costs of the latest monetary policy experiment – the "go for growth" approach to monetary policy pursued by Governor Bollard was great while the party lasted, but exporters and gullible investors inevitably bore the brunt of the consequences of this misguided experiment.

The house, section, lifestyle and coastal markets are starting to creak - this Raving provides anecdotal evidence of the growing number of "motivated" vendors in the house, section, lifestyle and coastal markets.

What really drives the major cycles in the NZ dollar – the popular view that interest rate differentials drive the exchange rate is occasionally right, but it is only part of the story; this must-read report shows what really drives the NZ dollar.

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How strong can the economy grow on a sustainable basis – the Reserve Bank and most economists are too optimistic about New Zealand's sustainable rate of economic growth, while the starting point for the economy is critical in assessing even medium-term growth prospects.

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