

## NZD converting New Zealand Dollars into Pounds

Wednesday, 18 February 2009

The perilous state of the New Zealand economy was brought into sharper focus on Thursday when retail sales showed a 1% decrease month-on-month to December. However, an alternative statistic which excluded the automotive sector posted a less-than-expected 0.6% fall, which offered some support to the New Zealand Dollar.

Unusually, a reduction in investor risk tolerance did little to weaken the Dollar throughout the week, and it gained ground across the board. The GBP/NZD rate closed the week at 2.7438, down 1.35% from 2.7813 a week earlier, benefiting those converting New Zealand Dollars into Pounds.

With a light data calendar scheduled for the week ahead, the key factors influencing New Zealand Dollar direction are likely to be global, with stockmarket performance and risk tolerance levels having the greatest bearing. Looking beyond next week, a Bloomberg survey shows that economists forecast Governor of the RBNZ Alan Bollard and his team to lower interest rates between 50-100bp (currently held at 3.5% )next month as the central bank aims to steer the economy out of a recession.