New Zealand's economy to remain pressurized until 2024

Geographically cut off from the rest of the world, New Zealand has amazed and intrigued the world on how its citizens survive. From being a leading dairy products exporter, they have made a name for themselves in this highly globalized world. However, its internal economic challenges are finally coming out and it looks like multiple households will have to survive on tight-rope measures until 2024. Food and petrol prices have recorded unimaginable high rates and mortgage rates have also shifted their base value which is for the first time in a decade.

The variable rates in food prices have not altered much from the earlier 12% y-o-y but sudden shifts in the petrol prices would cause a spike in food price inflation due to the increasing transportation and logistical costs for retailers. The OPEC+ decision to cut the global supply of crude oil combined with the ongoing war in Ukraine have erased the price caps over crude oil thereby forcing the national exchequer to make more forex available for purchase and restrain from providing other rebates to its domestic business ventures.

New Zealand's heavy reliance on China for imports plays a part in its budget constraints. The Chinese economy is in a slowdown and this means slashing the value of the dollar by 10% forcing a jump in fuel prices up to 40 cents and altering gross rates to $3.90/litre. The general inflation levels are expected to remain between 4.2% and 4.5%. Increased migration from labor-rich nations has pushed the prices for homes by 8%-10% making an urgent requirement for 41,220 homes seem difficult. Job opportunities have started dwindling as migrant workers are rapidly filling the vacancies for skilled and semi-skilled professions at half the market wages.

Various economic research institutes in an analysis of loans disbursed via state-owned banks like Kiwi Bank, SBS Bank, and TSB will face a newer interest rate being charged for their existing home loans in the wake of rising inflation. A cost-of-living crisis will emerge in New Zealand if the RBNZ doesn't reduce the OCR by 50 basis points and cut inflation projections to 3% at least.

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