



Market update

Official Cash Rate (OCR) remains the same

For those who dislike change, you'll be pleased to know the official cash rate is still steady at 1.75 per cent. However is tipped to rise to 1.9 per cent next December. The RBNZ previously predicted this rise would happen next June, so it's a watch and wait game now. March 2020 still seems like a while away, but it'll probably be here before we know it. That's when a full rate increase is expected, with the benchmark rate predicted to be 2 per cent.

NZD dollar drop and our cow economy

Cows and currency don't usually go hand-in-hand, but they're not as detached from each other as you might think. Tim Kelleher, head of institutional foreign exchange sales at ASB Bank, told the NZ Herald that New Zealand is the "cow economy". Meanwhile, Canada's dollar is going strong due to the rising price of oil. We're not usually too competitive with our Canadian friends, but it's worthwhile knowing the NZ dollar dropped to 88.76 Canadian cents last month. But back to cows, being the cow economy may be problematic for us. With the outbreak of the cattle disease Mycoplasma bovis detected on dairy farms across the country, Kelleher points out the disease is bad news for both our dairy cows and currency.

The cost of cattle disease

Over 50 farms in the South Island have now been confirmed as being 'actively infected' with Mycoplasma bovis. Most of these dairy farms are in Canterbury and Southland. Cattle diseases can majorly impact the economy as well as our health (and of course the cows) with the potential for costs to skyrocket. But the government has a plan to eradicate the disease which will definitely see their budget take a blow of a whopping \$886 million - ouch. Doing nothing will cost even more though – an estimated \$1.5 billion in damages.

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