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Photography by Stephen A'Court.

Editor's note

The first issue of the Reserve Bank *Bulletin* of 2011 contains articles and documents all loosely linked to the sorts of economic and financial challenges that New Zealand has faced in the last few years, brought into sharp relief by the global recession and the international financial crisis.

Hamish Pepper's and Enzo Cassino's article articulates an approach to analysing change in international government bond interest rates and making sense of what they might mean for those countries and for New Zealand. The authors' decomposition of interest rates in the US and the UK suggests that despite all the volatility, shocks, and crises of the last few years, financial markets at present do not expect the future to be so very different from the pre-recession past. Although short-term interest rates in many countries have now been very low for a number of years, interest rates (real and nominal) are expected to settle back at levels not much different from those seen pre-crisis. The more limited data available for New Zealand suggests that this result could also be true of New Zealand.

Rebecca Craigie's article reports on a research conference held at the Reserve Bank last December where the papers focused on issues around the transmission of economic and financial shocks in one country to other countries, an issue brought to prominence in the recent unusually synchronised international recession. Many of the papers presented raised as many questions as they posed answers, but together they represented a valuable stimulus, helping the rest of us to think carefully through the issues in this area. And as the author reminds us, debates around the interpretation of the 1930s Great Depression still rage, and so work on the interpretation of the recent recession and associated international dimensions of it is inevitably still at a very preliminary stage.

Rochelle Barrow and Michael Reddell provide an update on the Reserve Bank's work to improve the range and quality of statistical data on debt securities markets in New Zealand. The article outlines the way in which securities markets and traditional balance sheet-based bank lending interact and complement each other, and how the recent financial crisis brought into focus, both here and abroad, the need for better data on debt securities markets.

The Government-appointed Savings Working Group, of which the Bank's Head of Economics John McDermott was a member, released its report earlier this year. The Bank's submission to this Working Group is reproduced here for the record.

Finally, we reproduce the Governor's 28 January speech to the Canterbury Employers' Chamber of Commerce, "Looking into the crystal ball: a forecast and some risks for the year ahead". The Governor emphasised the wide range of risks, positive and negative, that appeared to face the New Zealand economy this year. No one envisaged the tragic events of 22 February. The human and economic aftermath of that earthquake will influence the way in which events unfold here for years to come.

Michael Reddell
(acting) Editor