

# Monthly Economic Indicators



January 2013

## Executive Summary

- **Economy grew modestly in mid-2012 but stronger growth ahead**
- **Inflation pressures remain weak**
- **Internationally, market sentiment has improved but fiscal concerns continue to weigh on the growth outlook.**

The September 2012 quarter GDP release confirmed that the economy grew modestly in the quarter. The release also contained revisions to previous quarters that showed activity was more subdued in the June quarter but grew more strongly over 2011. Indicators of GDP for the fourth quarter of 2012 and the first quarter of 2013 point to firmer growth rates than experienced through the middle of the year.

Lower than expected inflation in the December quarter reflected the ongoing influence of a strong New Zealand dollar, falls in commodity export prices over much of the year and subdued domestic demand. The influence of these factors, particularly the latter two, is expected to fade over 2013 and inflation is forecast to rise towards 1.8% by the end of 2013 from 0.9% at the end of 2012.

Global market sentiment has improved significantly in the new year, driven by the avoidance of the US fiscal cliff and a pickup in macroeconomic data, particularly in Asia. Global equity markets have approached or reached five-year highs, while bond yields in Italy, Spain and Portugal have moderated since late last year. However, while sentiment has improved, global growth is still expected to be slightly below trend in 2013, as fiscal consolidation weighs in advanced economies and rebalancing in Europe continues. The outlook remains consistent with the Treasury's *Half Year Update (HYEFU)* trading partner growth forecast of 3.4% for 2013.

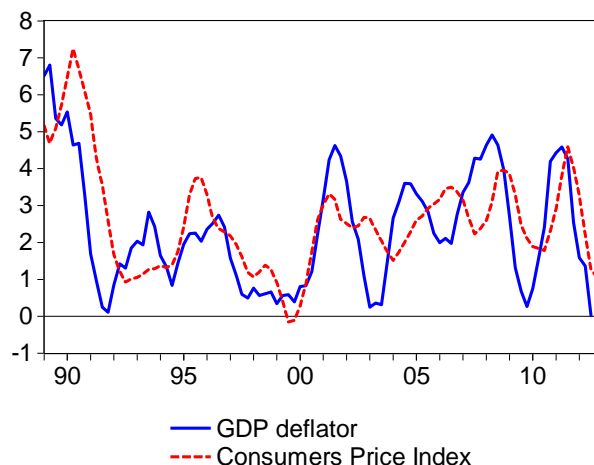
This month's special topic looks at a new breakdown of New Zealand's external debt data, published by Statistics New Zealand as part of the September quarter Balance of Payments release. It supplements the existing published data and allows us for the first time to directly compare our external debt position with international data compiled by the World Bank.

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**Figure 1 – Price pressures are weak**

Annual average % change



Source: Statistics NZ

### Growth slowed through mid-2012...

Growth through the middle of 2012 was weaker than expected by the Treasury and most other forecasters. Real GDP growth of 0.2% in the third quarter combined with a downwardly revised second quarter rate of 0.3% (from 0.6%), to produce a marked slowing from the 1.5% growth rate achieved across the December 2011 and March 2012 quarters. Upward revisions to growth in 2011 saw the annual average growth rate rise to 2.5% from 2.4% (revised from 2.0%) in the year ending June.

Increased activity in the construction industry provided the bulk of the growth impetus in mid-2012, a clear reflection of the increasing rebuild work underway in Canterbury and the rise in new homebuilding in Auckland. The main drags on growth over the two quarters were mining and public administration and safety. The former coincides with record low production from the offshore Tui oil field while the latter reflects the government's tight fiscal policy.

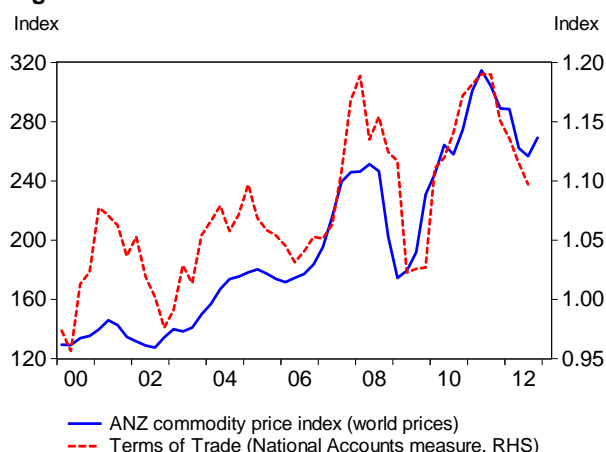
### ...but short-term outlook remains favourable

Recent developments pointing to stronger growth in the fourth quarter include:

- Reports of continued gains in year-on-year milk production which points to a resumption of growth in the agriculture industry, following a fall of 2.1% in the September quarter GDP report, itself a correction from the strong end to the previous season.
- Electronic Card Transactions rose strongly in the December quarter, pointing to a reversal of September's retail trade fall. This is supported by the fourth quarter rise in household consumer credit. These increases are consistent with the upbeat readings from the ANZ-Roy Morgan Consumer Confidence survey on whether it is currently a good time to buy a major household item and the increase in the number of newly registered cars: both measures are at five year highs.
- The firmer outlook conveyed by the NZIER's Quarterly Survey of Business Opinion (QSBO). Headline business confidence took a large step up as did the measures of fourth quarter trading activity and expected activity in the March quarter.
- Also in the QSBO, output in the building industry rose strongly, with much of the strength coming from Canterbury. This gels with other reports of higher construction activity in Canterbury over the quarter.
- The BNZ-BusinessNZ Performance of Services Index (PSI) rose in the December quarter, pointing to an expansion in services activity following a weak September quarter. Its sister survey, the Performance of Manufacturing Index, remained weak but did move higher in the quarter, signalling a repeat of September's 1.1% fall in manufacturing GDP may be avoided.

All up, the early indicators point to ongoing growth in construction, and positive contributions from agriculture and services. On the expenditure side, we expect growth to be led by private consumption and residential investment. In addition, December quarter trade data pointed to a smaller than expected drag from net export volumes. Export volumes of dairy products fell 15%, largely as expected, following the inventory boosted 36% rise in September, but meat and forestry volumes were stronger than expected. On the imports side, weak petrol imports will temporarily reduce the import drag on GDP. There was also a hint of firmer export prices than forecast in the *Half Year Economic and Fiscal Update (HYEFU)*, providing some upside to our forecast of flat terms of trade following a 1.4% drop in the third quarter, which left the terms of trade 8% down on its mid-2011 peak (Figure 2). Increases in dairy and other commodity prices through the fourth quarter and into January point to a stabilisation in the terms of trade; removing a drag to income growth from the economy.

**Figure 2 – Terms of Trade trend to turn**



Source: Statistics NZ, ANZ

The narrower than expected December quarter trade deficit also provided a positive surprise, although the current account deficit still looks likely to expand to around 5.0% of GDP from 4.7% in September.

The NZIER Consensus forecast, released prior to September's GDP report, was for 0.5% growth in the December quarter, but the recent run of firmer data has led some commentators to increase their forecasts for December quarter growth.

### ...but not without risks

Indicators of activity in the March quarter 2013 suggest that the expected pick-up in December will be carried forward, with construction and the Canterbury rebuild the key drivers. December

quarter dwelling consents rose strongly and reports from Canterbury are that the rebuild continues to gain momentum. The emergence of dry conditions in the key dairy producing regions poses a downside risk to growth.

Both the QSBO and the ANZ Bank's Business Outlook survey report that businesses are more upbeat than usual about the outlook for their own businesses, suggesting economy-wide growth should also be higher than usual. But whether business expectations are met depends crucially on domestic consumer confidence and international demand. Indicators of domestic consumer confidence are mixed: the Westpac McDermott Miller Consumer Confidence Index rose to its highest level in over a year, but January's ANZ-Roy Morgan Consumer Confidence survey continued its year-long sideways trend.

Conditions in the labour market are important for consumer confidence and the weakness in the 2012 data is likely to be restraining confidence. While we do not consider underlying labour market conditions to be as weak as the headline figures of 7.3% unemployment and flat jobs growth suggest, the subdued GDP growth rates over mid-2012 do indicate an easing of labour demand. We expect December's Household Labour Force Survey, released on 7 February, to show lower, but still elevated, unemployment and a return to employment growth. However, the employment indicators in the QSBO and the ANZ Job Ads series suggest any jobs growth will be modest. The Treasury is forecasting employment growth to pick up gradually through 2013 as the Canterbury rebuild continues to gather momentum and improved business sentiment leads to higher labour demand.

### ...price pressures remain weak

The Consumers Price Index fell 0.2% in the December quarter, following 0.3% increases in both the June and September quarters. However, annual inflation rose to 0.9% from 0.8% in September, reflecting the larger fall in prices at this time last year. The quarterly outturn, which was below both Treasury and market expectations, was largely due to the ongoing influence of the strong New Zealand dollar and falling commodity prices, with some effect from weak demand. The former effects were reflected in the 1.0% decline in tradable prices from December last year. Non-tradable prices, which include home ownership costs, rents, utilities and rates, rose 2.5% in the year, below the 20-year average of 3.5%.

In the *HYEFU* the Treasury forecast inflation to rise to 1.8% over 2013 as the impact of the high New Zealand dollar fades, commodity prices lift and low interest rates stimulate activity in the construction sector and more broadly. However, with the New Zealand dollar continuing to appreciate over January, weaker than expected growth through 2012 and muted price signals from recent surveys, the risk is that inflation over 2013 will be below the *HYEFU* forecast.

The weakness in prices is also evident in the current price measure of GDP, which grew 2.6% in the year ending September 2013, the same rate as the constant price, or real, measure of expenditure GDP. That is, price growth was flat. Although this outturn was not too far away from the Treasury's *HYEFU* forecast of 3.0% growth in nominal GDP, the risk is that this weakness proves to be persistent and impacts on those components of prices and incomes that drive tax revenue growth. However, the price component of GDP is volatile and subject to revision, which means that it is too early to say whether the weakness in the price deflator will impact on tax revenue forecasts. The latest tax revenue outcomes, for the five months ending November, were largely as expected in the *HYEFU*.

### **Global sentiment improving in the new year...**

Global market sentiment has improved significantly in the new year, driven by the avoidance of the US fiscal cliff and a pickup in macroeconomic data, particularly in Asia. Global equity markets have approached or reached five-year highs, while bond yields in Italy, Spain and Portugal have moderated since late last year. However, while sentiment has improved, global growth is still expected to be slightly below trend in 2013, as fiscal consolidation weighs in advanced economies and rebalancing in Europe continues. The outlook remains consistent with the Treasury's *HYEFU* trading partner growth forecast of 3.4% for 2013.

### **...as fiscal cliff is narrowly avoided...**

As expected in *HYEFU*, the US Congress was able to come to a last-minute agreement to avoid the bulk of the fiscal cliff at the start of 2013. However, there will be some fiscal consolidation, with higher income taxes and the payroll tax holiday ending, meaning reduced take-home income for workers. The \$110b of spending cuts due for 2013 were delayed by two months, creating time for further negotiations. The consolidation due to take place in 2013 is

estimated to subtract up to 1.0% from annual growth for the US as lower after-tax incomes reduce consumption growth. Both *Consensus* and the IMF forecast 2.0% annual growth for 2013 (including impacts from the fiscal cliff deal). The debt ceiling, which had been reached at the end of 2012, was suspended during January until May, reducing the risks of a shutdown of the government and default on debt.

December quarter GDP undershot market expectations, coming in at an annualised -0.1%, where a positive 1.2% had been expected. However, the details of the report were more favourable, with consumption, capital expenditure and residential investment all rising strongly. Government spending and inventories were the main drags on growth, as falls in defence spending and Hurricane Sandy had an effect. Non-farm payrolls increased around an average of 160,000 in each of November and December, while the unemployment rate fell to 7.8%.

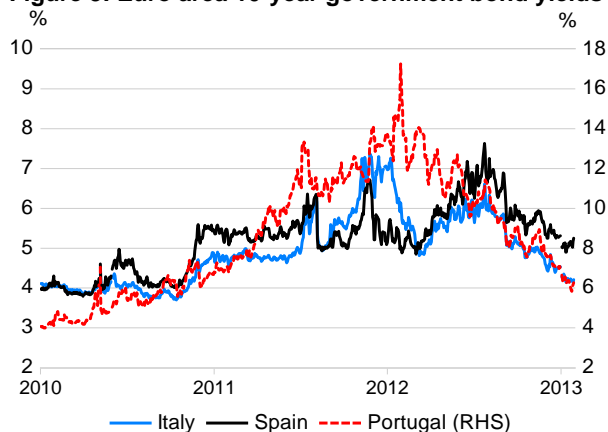
The other major piece of news out of the US was the Federal Reserve's decision to move away from its time-based guidance on monetary policy. Instead, Bernanke announced economic thresholds. Exceptionally low interest rates will remain in effect until the unemployment rate falls below 6.5%, with the caveat that the 1-year and 2-year ahead inflation forecasts do not exceed 2.5%. Operation Twist was also replaced with US \$45b in long-term Treasury purchases per month. This is in addition to the \$40b per month of mortgage-backed securities purchases announced earlier in 2012. The Fed reaffirmed its stance at its 30 January meeting.

### **...and peripheral euro area bond yields moderate**

The improvement in sentiment in the new year has seen bond yields decline in some of the more risky European countries, Portugal, Italy and Spain (Figure 3). These countries have also held successful bond auctions in recent weeks, which indicate of a general lowering of risks in the euro area, as decisions made by policymakers over the past year start to have more of an effect. Another factor pointing to reduced risks and higher confidence was the larger-than-expected voluntary repayment of the Long-Term Refinancing Operation (LTRO) funds by euro area banks during January.



**Figure 3: Euro area 10-year government bond yields**



Source: Haver

Nevertheless, the outlook for economic activity in Europe remains subdued. Consolidation and structural reforms are continuing in the euro area, particularly in peripheral nations, limiting growth prospects in the near term. PMIs improved slightly in the euro area in January, but remain well below 50, consistent with ongoing contraction in GDP. German data have shown more positive signs to start 2013, after GDP contracted in the December quarter; German growth is one of the main drivers of overall euro area growth. Euro area GDP is forecast by *Consensus* to fall 0.1% in 2013, after falling an estimated 0.4% in 2012.

Partly linked to the weakness in the euro area, the UK is also suffering from depressed growth. December quarter GDP fell 0.3%, unwinding an Olympics and holiday-affected 0.9% growth rate in the previous quarter. Real growth was flat for the year. The economy has yet to reach its pre-crisis peak in GDP, and prospects for growth are still only modest, with *Consensus* forecasting 1.0% real growth for 2013.

#### **China data beats expectations...**

As was expected, China's annual growth appears to have troughed in the September quarter 2012 at 7.4%, bouncing back an above-market 7.9% in the December quarter. Annual export growth rebounded strongly in December as external demand started to strengthen, while industrial production growth also rose, partly a reflection of the increased exports. While China managed to avoid a hard landing in 2012, growth is not expected to return to the rates seen in the 2000s (above 10%), as policymakers look to achieve a sustainable growth rate that does not over-stimulate the housing market and generate strong inflationary pressures. *Consensus* forecasts are for 8.1% in 2013, following 7.8% in 2012.

Other parts of Asia are also showing signs of strengthening, primarily owing to the pickup in China given the growing importance of intraregional trade. Manufacturing orders have started to improve in the region, while domestic demand remains robust in Indonesia, Malaysia and the Philippines. 2013 may see the start of monetary tightening in the region, as spare capacity is used up and inflationary pressures begin to grow.

In contrast, the Bank of Japan raised its target inflation rate from 1% to 2%, as well as extending its asset purchase programme starting in 2014. This means existing maturing assets can be reinvested, as well as increasing the overall size of the programme. Financial market participants appeared disappointed as a more aggressive approach had been expected. The Reserve Bank of India (RBI) also eased policy, lowering its main policy rate as well as its Cash Reserve Ratio, adding additional liquidity to the market. This was in response to inflation moderating slightly and low growth over the last year.

#### **...but Australia hits a soft patch**

The Australian economy looks to have slowed in the second half of 2012. Real GDP rose 0.5% in the September quarter, after averaging 1.0% in the first two quarters. Quarterly growth is likely to have slowed further in the December quarter, with indicators such as retail sales and trade data weakening. The labour market also weakened slightly in December, with the unemployment rate rising to 5.4%. Inflation in the December quarter was also subdued, as in New Zealand.

We expect that the weakening in growth over the second half of 2012 is more of a soft patch than an ongoing trend. Chinese demand has started to pick up again, which has led to a significant recovery in iron ore prices. This should help Australia's terms of trade level out; the falling terms of trade (down almost 14.0% in the year to September 2012) are the main reason for the softer nominal GDP growth in 2012. Having said this, we do not expect a return to over 4.0% annual real GDP growth; growth closer to trend of 3.0% is more likely over the medium term. Real GDP is expected to grow at 2.6% in 2013 according to *Consensus*, as mining investment reaches its peak and it takes time for housing investment and mining exports to replace it. Domestic demand should remain moderate as the RBA continues to ease interest rates and the exchange rate depreciates over time.

## Special Topic: New Zealand's external debt – an international comparison

A new breakdown of New Zealand's external debt data, published by Statistics New Zealand as part of the September quarter Balance of Payments release, supplements the existing published data and allows us for the first time to directly compare our external debt position with international data compiled by the World Bank.<sup>1</sup>

### Taking stock of the new data

Chart 4 shows how the new external debt data fit in with the existing International Investment Position (IIP) statistics.

New Zealand's total financial liabilities as reported by the existing IIP data at the end of the September 2012 quarter amounted to around 155% of GDP, with a fifth (33.5% of GDP) in the form of equity and the remainder comprising international borrowing. To translate the international borrowing component into a measure consistent with the World Bank's external debt tables requires subtracting the portion of the debt that relates to financial derivative contracts. This returns a comparable external debt figure of 111% of GDP for New Zealand (the third column from the left in Chart 4), which is then broken down into the five categories as reported by the World Bank in the fourth column.

### How does New Zealand compare?

Table 1 shows how the new, more granular data compare with a selection of OECD countries. New Zealand's total level of external debt is slightly higher than the OECD average.

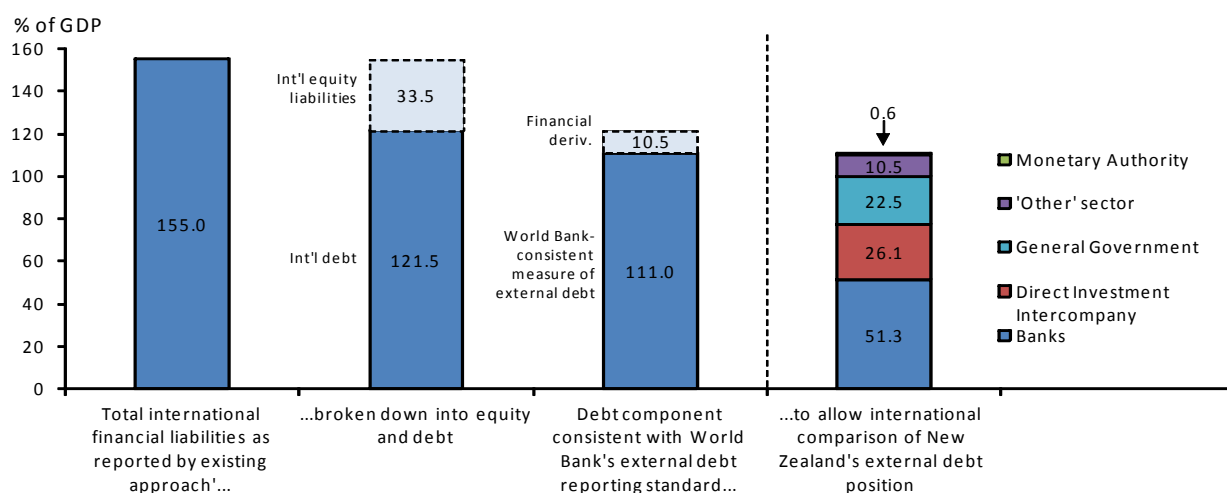
New Zealand's public sector external debt, in the form of the 'General Government' and 'Monetary Authorities' categories, is lower than the OECD average. Similarly, at 10.5% of GDP, the external debt of the corporate sector (the 'Other sectors' category) is also comparatively low.

There are, however, two notable areas where New Zealand's external debt position stands out – the first of which is in the banking sector. At just over 50% of GDP, and comprising almost half of New Zealand's total external debt, debt in the banking sector is comparatively high relative to the rest of the OECD.

What sets the New Zealand banking sector further apart is the high proportion of the sector's external debt that is owed to *related* parties ie, Australian parent banks. We were aware of this before the publication of the new breakdown. However, the new statistics put a precise number on the extent of related-party debt in the banking sector, which amounts to just under 60% of its gross external debt (around 30% of GDP).

The World Bank's external debt compilation does not require countries to break down their external debt statistics in terms of what is owed to related parties, so it is difficult to assess how this compares to the situation in other countries. However, given the high degree of foreign ownership of the New Zealand banking sector compared to other advanced economies, corresponding data from the Bank of International Settlements (BIS) suggest that New Zealand is a pronounced outlier in this respect.

**Figure 4 – Measures of New Zealand's international liabilities (as at end-September 2012 quarter)**



Sources: Statistics NZ, the Treasury

<sup>1</sup> World Bank Quarterly External Debt Statistics:  
<http://go.worldbank.org/6V603CE490>

**Table 1 – Comparison of gross external debt positions (% of GDP, selected OECD countries, as at end-Sept 2012 quarter, table contents shaded within columns relative to overall OECD range)**

	Total	General Government	Monetary Authorities	Banks	Other Sectors	Direct Inv. Intercompany
Japan	55.2	21.6	0.1	23.3	9.7	0.5
Canada	73.7	21.0	0.0	19.9	25.5	7.3
Australia	92.7	15.0	0.1	44.8	20.9	11.9
United States	105.1	35.6	3.3	19.8	37.9	8.5
Italy	110.7	40.9	16.6	29.8	15.3	8.2
<b>New Zealand</b>	<b>111.0</b>	<b>22.5</b>	<b>0.6</b>	<b>51.3</b>	<b>10.5</b>	<b>26.1</b>
Spain	153.0	22.3	35.0	47.3	32.9	15.3
Germany	159.3	47.4	3.4	67.5	21.9	19.0
Greece	178.7	90.0	46.6	33.8	5.2	3.2
France	180.5	53.9	6.9	78.4	24.8	16.4
Switzerland	236.4	4.9	5.0	128.3	59.2	38.9
United Kingdom	424.0	28.9	1.8	235.9	129.6	27.8
<b>OECD weighted average*</b>	<b>105.5</b>	<b>29.8</b>	<b>4.5</b>	<b>35.6</b>	<b>25.4</b>	<b>10.2</b>

\* Excluding countries with large financial sectors that distort the gross external debt data (UK, Iceland, Ireland, and Luxembourg)

Sources: World Bank, IMF, Statistics NZ, the Treasury

The second area in which New Zealand's external debt position stands out is the comparatively high share that is in the form of 'direct intercompany investment' (ie, external debt, mainly in the corporate sector, owed to overseas companies that have equity interests in New Zealand – column 6 of Table 1). At 26% of GDP, such debt accounts for around a quarter of New Zealand's total external debt compared to an average share of around 12% for the OECD as a whole.

### What does this mean?

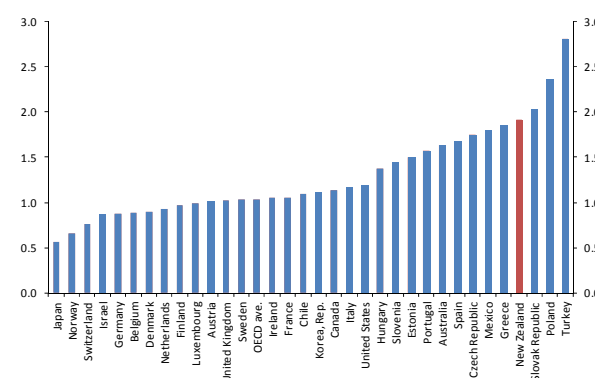
Overall, external debt owed to related parties by the banking sector, as well as direct intercompany external borrowing, is equivalent to just over half of New Zealand's gross external debt – estimated to be by far the highest proportion in the OECD. To the extent that these two forms of international borrowing are more stable and less flighty sources of funds than completely unrelated forms of borrowing – a reasonable assumption given the deeper relationships and more-aligned interests between the counterparties – this implies that the composition of our gross external liability position poses less direct roll-over funding risk than in similarly indebted countries.

Given that the vast majority of our external liabilities are either denominated in New Zealand dollars or hedged, all else equal, this is also a factor that should lend support to our credit rating (although such hedging does expose New Zealand borrowers to counterparty credit risk).

### Shifting the focus to the asset side

Nonetheless, while New Zealand compares quite well in terms of the magnitude and composition of our gross external debt, our position as a net international debtor instead highlights our weak international asset position. This is illustrated by our comparatively high leverage ratio (ie, ratio of gross external liabilities to gross external assets) which, at close to two, is amongst the highest in the OECD.<sup>2</sup>

**Figure 5 – Leverage ratios (2011 calendar year)**



Sources: Haver, IMF, Statistics NZ

<sup>2</sup> The World Bank does not compile international data on gross external *lending* as it does for gross external debt. The data in Figure 5 are from the IMF's International Financial Statistics.

## Implications for policy

Altogether, the recent publication of the new external debt series by Statistics New Zealand affords us a fresh and more precise look at the composition and nature of a key portion of our international liabilities. However, in terms of policy advice, the issues raised are similar in nature to existing work looking at ways to reduce the economy's exposure to external vulnerabilities.

Treasury has published a range of work over recent years on this subject including a 2011 Working Paper<sup>3</sup> as well as the 2011 Briefing to the Incoming Minister (BIM)<sup>4</sup>. Further research along the same lines remains a key priority.

**Monthly Economic Indicators** is a regular report prepared by the Forecasting and Monitoring team of the Treasury.

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<sup>3</sup> Treasury Working Paper 11/03, "Economic Imbalances: New Zealand's Structural Challenge"

<sup>4</sup> <http://www.treasury.govt.nz/publications/briefings/2011>



## Quarterly Indicators

		2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4
<b>Gross Domestic Product (GDP)</b>								
Real production GDP	qtr % chg <sup>1</sup>	0.6	0.7	0.6	0.9	0.3	0.2	...
	ann ave % chg	0.9	0.8	1.5	1.9	2.4	2.5	...
Real private consumption	qtr % chg <sup>1</sup>	0.9	1.0	0.8	0.1	0.2	-0.1	...
	ann ave % chg	1.5	1.7	2.1	2.5	2.7	2.3	...
Real public consumption	qtr % chg <sup>1</sup>	0.7	0.9	0.1	-1.2	1.1	0.2	...
	ann ave % chg	1.5	2.2	2.0	1.8	1.6	0.9	...
Real residential investment	qtr % chg <sup>1</sup>	-8.0	1.3	4.3	0.6	6.1	7.4	...
	ann ave % chg	-6.2	-11.4	-11.2	-10.7	-2.7	6.2	...
Real non-residential investment	qtr % chg <sup>1</sup>	-1.7	2.4	-0.2	2.4	3.2	-4.7	...
	ann ave % chg	8.0	10.0	7.9	5.9	5.4	3.6	...
Export volumes	qtr % chg <sup>1</sup>	0.2	0.1	3.6	-2.1	-0.9	4.0	...
	ann ave % chg	2.0	1.8	2.7	2.6	2.4	3.1	...
Import volumes	qtr % chg <sup>1</sup>	2.4	1.9	-2.2	4.3	-4.2	2.6	...
	ann ave % chg	11.4	10.6	6.6	6.1	3.6	1.3	...
Nominal GDP - expenditure basis	ann ave % chg	4.5	4.8	4.0	3.9	4.2	2.7	...
Real GDP per capita	ann ave % chg	-0.2	-0.3	0.5	1.0	1.6	1.7	...
Real Gross National Disposable Income	ann ave % chg	2.2	2.3	1.8	2.2	1.3	1.4	...
<b>External Trade</b>								
Current account balance (annual)	NZ\$ millions	-7,422	-8,826	-8,268	-9,033	-10,087	-9,894	...
	% of GDP	-3.7	-4.3	-4.0	-4.4	-4.8	-4.7	...
Investment income balance (annual)	NZ\$ millions	-9,756	-10,595	-10,750	-10,443	-10,899	-10,254	...
Merchandise terms of trade	qtr % chg	2.4	-0.6	-1.5	-2.3	-2.5	-3.2	...
	ann % chg	7.1	3.4	1.0	-2.1	-6.7	-9.2	...
<b>Prices</b>								
CPI inflation	qtr % chg	1.0	0.4	-0.3	0.5	0.3	0.3	-0.2
	ann % chg	5.3	4.6	1.8	1.6	1.0	0.8	0.9
Tradable inflation	ann % chg	5.5	4.6	1.1	0.3	-1.1	-1.2	-1.0
Non-tradable inflation	ann % chg	5.2	4.5	2.5	2.5	2.4	2.3	2.5
GDP deflator	ann % chg	3.4	3.0	0.3	-0.3	2.5	-2.4	...
Consumption deflator	ann % chg	4.1	3.2	1.6	1.4	1.2	1.1	...
<b>Labour Market</b>								
Employment (HLFS)	qtr % chg <sup>1</sup>	0.1	0.2	0.2	0.4	-0.2	-0.4	...
	ann % chg <sup>1</sup>	2.0	1.1	1.6	0.9	0.6	0.0	...
Unemployment rate	% <sup>1</sup>	6.6	6.6	6.4	6.7	6.8	7.3	...
Participation rate	% <sup>1</sup>	68.4	68.4	68.3	68.7	68.4	68.4	...
LCI salary & wage rates - total (adjusted) <sup>5</sup>	qtr % chg	0.5	0.6	0.6	0.4	0.5	0.5	...
	ann % chg	1.9	2.0	2.0	2.0	2.0	1.9	...
QES average hourly earnings - total <sup>5</sup>	qtr % chg	1.1	1.2	0.1	1.4	0.1	1.1	...
	ann % chg	3.0	3.2	2.8	3.8	2.9	2.8	...
Labour productivity <sup>6</sup>	ann ave % chg	-1.1	-1.1	0.0	0.7	1.7	2.8	...
<b>Retail Sales</b>								
Core retail sales volume	qtr % chg <sup>1</sup>	1	1.7	3.3	-1.6	0.9	-0.3	...
	ann % chg	1.9	3.3	7.3	4.3	4.3	1.8	...
Total retail sales volume	qtr % chg <sup>1</sup>	0.9	1.7	2.5	-0.8	1.3	-0.4	...
	ann % chg	1.1	2.9	6.4	4.2	4.8	2.3	...
<b>Confidence Indicators/Surveys</b>								
WMM - consumer confidence <sup>3</sup>	Index	112	112	101	102	100	103	111
QSBO - general business situation <sup>4</sup>	net %	26.6	24.6	0.1	13.0	-4.1	8.0	19.8
QSBO - own activity outlook <sup>4</sup>	net %	18.4	30.0	9.9	16.9	8.1	17.7	18.7

## Monthly Indicators

		2012M07	2012M08	2012M09	2012M10	2012M11	2012M12	2013M01
<b>External Sector</b>								
Merchandise trade - exports	mth % chg <sup>1</sup>	-2.5	-1.1	4.4	-8.1	7.3	-6.4	...
	ann % chg <sup>1</sup>	9.1	-3.6	-4.5	-10.9	-2.1	-5.1	...
Merchandise trade - imports	mth % chg <sup>1</sup>	-1.7	-8.4	5.7	-15.2	13.9	5.2	...
	ann % chg <sup>1</sup>	9.5	0.0	-3.6	1.6	-1.5	-10.1	...
Merchandise trade balance (12 month total)	NZ\$ million	-768	-889	-891	-1380	-1393	-1208	...
Visitor arrivals	number <sup>1</sup>	209,100	220,300	211,890	208,470	211,950	...	...
Visitor departures	number <sup>1</sup>	218,150	214,760	210,840	214,520	210,740	...	...
<b>Housing</b>								
Dwelling consents - residential	mth % chg <sup>1</sup>	2.7	2.9	7.0	-1.6	-5.2	9.4	...
	ann % chg <sup>1</sup>	26.3	0.3	22.0	32.4	19.8	22.5	...
House sales - dwellings	mth % chg <sup>1</sup>	0.4	1.7	-7.9	17.7	-0.5	-6.8	...
	ann % chg <sup>1</sup>	19.9	16.2	8.0	32.6	24.1	8.2	...
REINZ - house price index	mth % chg	-0.7	1.3	0.6	1.5	1.4	-0.6	...
	ann % chg	5.2	6.1	5.0	6.9	7.3	6.7	...
<b>Private Consumption</b>								
Electronic card transactions - total retail	mth % chg <sup>1</sup>	-1.1	2.6	-0.6	0.5	0.5	0.3	...
	ann % chg	1.1	7.1	4.1	3.2	6.2	3.6	...
New car registrations	mth % chg <sup>1</sup>	-0.8	-0.4	-3.7	9.5	-3.7	0.1	...
	ann % chg	10.8	0.8	6.7	21.4	8.4	3.0	...
<b>Migration</b>								
Permanent & long-term arrivals	number <sup>1</sup>	6,710	6,900	7,240	7,390	7,380	...	...
Permanent & long-term departures	number <sup>1</sup>	7,310	7,130	7,060	7,060	6,790	...	...
Net PLT migration (12 month total)	number	-3,799	-4,118	-3,280	-2,319	-1,567	...	...
<b>Commodity Prices</b>								
Brent oil price	US\$/Barrel	102.79	113.36	112.95	111.92	109.41	109.56	112.31
WTI oil price	US\$/Barrel	87.93	94.16	94.72	89.57	86.66	88.25	93.87
ANZ NZ commodity price index	mth % chg	-2.9	-0.8	2.9	1.1	1.0	-0.1	...
	ann % chg	-15.1	-14.4	-13.2	-12.5	-12.5	-12.3	...
ANZ world commodity price index	mth % chg	-0.4	0.5	3.4	1.3	1.0	1.0	...
	ann % chg	-18.6	-15.8	-12.2	-8.7	-6.7	-5.2	...
<b>Financial Markets</b>								
NZD/USD	\$ <sup>2</sup>	0.7982	0.8098	0.8174	0.8198	0.8192	0.8318	0.8378
NZD/AUD	\$ <sup>2</sup>	0.7757	0.7733	0.7867	0.7967	0.7875	0.7943	0.7955
Trade weighted index (TWI)	June 1979 = 100 <sup>2</sup>	72.31	72.85	72.80	73.12	73.38	74.32	75.26
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	% <sup>2</sup>	2.67	2.64	2.64	2.65	2.64	2.65	2.65
10 year govt bond rate	% <sup>2</sup>	3.40	3.66	3.58	3.51	3.47	3.56	3.53
<b>Confidence Indicators/Surveys</b>								
ANZ - business confidence	net %	15.1	19.5	17.0	17.2	26.4	22.7	...
ANZ - activity outlook	net %	24	26.4	29.3	25.5	31.6	31.4	...
ANZ-Roy Morgan - consumer confidence	net %	110.5	114.1	111.9	110.5	114.1	114.7	118.3
Performance of Manufacturing Index	Index	49.3	47.5	49.1	53.6	56.8	49.7	...
Performance of Services Index	Index	51.8	50.3	51.8	57.7	57.5	52.2	...

qtr % chg      quarterly percent change  
 mth % chg      monthly percent change  
 ann % chg      annual percent change  
 ann ave % chg      annual average percent change

<sup>1</sup> Seasonally adjusted  
<sup>2</sup> Average (11am)  
<sup>3</sup> Westpac McDermott Miller  
<sup>4</sup> Quarterly Survey of Business Opinion  
<sup>5</sup> Ordinary time  
<sup>6</sup> Production GDP divided by HLFS hours worked

Sources: Statistics New Zealand, Reserve Bank of New Zealand, NZIER, ANZ, Haver, Westpac McDermott Miller, ANZ-Roy Morgan, REINZ, BNZ-Business NZ