Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

February 2008

Executive Summary

- **Employment grew strongly in the December quarter, as did wages**
- **Inflation will remain elevated in the short term**
- **Domestic demand is easing, and this should slow both the labour market and inflation**
- **Outlook is for relatively slow growth, due in part to drought and world developments**

The resurgence in economic activity since mid 2006, led by a bounce back in domestic demand, has contributed to the current tight labour market and strong inflationary pressures. Employment grew strongly in the December quarter and participation rose to a new record high (or at least since the official series began in 1986) – driven by women entering the work force. Unemployment also reached a new record, falling to 3.4%. Annual wage growth rose from the September quarter and is running in the 3%-5% range (depending on the measure). Annual price growth in firms' inputs (3.4%) and their output (4.0%) was elevated, and a survey of pricing intentions shows that the number of firms intending to raise prices is still high.

However domestic demand is slowing – a trend that has been evident since the later half of last year. Growth in retail sales in the December quarter was soft and other consumer spending indicators show that this softness in consumer spending has persisted into January. The weakness in private consumption has been caused, in part, by a slowing housing market, which appeared to slow further in January. We discuss recent developments in the housing market and the linkages between the housing market and private consumption in more detail in this month's special topic. Given the labour market and inflation tend to lag the cycle, they should eventually moderate in line with the current slowing in domestic activity

Dry conditions, particularly in the Waikato, coupled with a slowing in the US and the Euro zone, mean the outlook for growth is subdued in the near term. Accordingly firms have become increasingly pessimistic about the outlook for their activity and expected profits. The retail and agricultural sectors were particularly pessimistic about their profit outlook – with the slowing in consumer spending likely to be affecting the former and the drought and the high dollar affecting the latter. Weakness in the US dollar as a result of concerns about the health of the US economy saw the exchange rate reach US 82 cents and 74.0 on a TWI basis.

Strong export receipts due to strong dairy receipts and exports of oil from the Tui field, coupled with slowing imports of investment and consumption goods, saw the annual trade deficit decline to $4.8 billion in December 2007 from $6.0 billion a year ago. The ANZ commodity price index, released in February, showed that spot dairy prices declined 1.8% in world terms in February, indicating that growth in dairy receipts may slow - although contractual arrangements mean that this will take time.

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Commentary

Sluggish domestic demand, drought conditions restricting agricultural production and stalling US and European economies all point to the New Zealand economy slowing over 2008. Data released in February showed weak retail sales growth in the December quarter, that the housing market continues to weaken, and firms have revised their profit expectations lower. Consistent with past cycles, the labour market and inflation continue to lag the general activity level. Labour market surveys showed continuing low unemployment, high growth in wages and employment, while inflation and pricing intentions surveys show price pressures remain. However the labour market and inflation should eventually slow in line with the current slowing in domestic activity.

Employment grew in December…

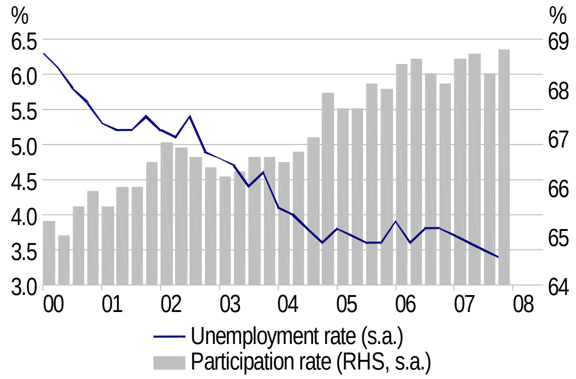
The number of people employed grew 1.1% in the December quarter; this large increase came after a 0.3% fall in September. Annual employment growth of 2.5% over the past year was driven by 6% growth in the business and financial services industry, and 5% increases in both the wholesale, retail and hospitality industry and in the health and community services industry. Consistent with the decline in residential building consent data over the past year, employment in the construction industry recorded a 5% annual fall.

Employment grew strongly as a result of a rise in the participation rate to a record 68.8% *(Figure 1).* The rise in total employment and participation is largely attributable to a 2.5% rise in female employment in the December quarter and a rise in the female participation rate from 61.2% in the September quarter to 62.4% in the December quarter. As the impact of higher food prices and interest rates start to impact on the household budget, this increase in female participation and employment could reflect the need for a secondary income in some households. Additionally, as drought threatens to reduce farmer incomes, more farmers' spouses could be entering the labour force to supplement falling farm incomes.

… and unemployment fell slightly

The unemployment rate declined marginally from 3.5% to 3.4% in December - a new low in the history of the series (which began in 1986). The unemployment rate has been stable within a narrow range of 3.4% to 3.9% since September 2004 (*Figure 1*). New Zealand has the 5th lowest unemployment rate of 27 OECD nations with comparable data.

Figure 1 – Participation and unemployment rates

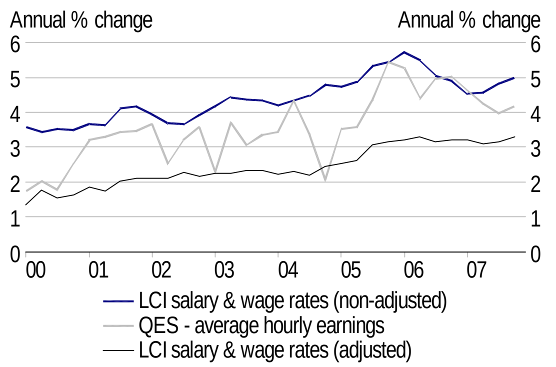


Source: Statistics NZ

Wage growth eased but remained elevated…

With the continuing tight labour market, wage growth in the December quarter remained elevated but appears to have passed its 2006 peak. The average of all salary and ordinary time wage rates (adjusted to exclude merit increases and hold the composition of employment constant) increased by 3.3% in the year to December 2007, according to the Labour Cost Index (LCI). Wage growth in the private sector rose to 3.5% in the year to December, the highest for the private sector since the LCI began in 1992.

Figure 2 – Wage growth



Source: Statistics NZ

Wage growth in the unadjusted LCI (which includes merit increases but for a fixed composition of labour) rose to 5.0% for the December year, up from 4.6%

in the year to March 2007, but down from its peak of 5.7% in March 2006. Similarly the Quarterly Employment Survey (QES), which measures average ordinary time hourly earnings and reflects changes in the composition of employment, showed annual growth in wages rose from 4.0% in September 2007 to 4.2% in the year to December, but growth in the QES measure is also down from its recent peak (*Figure 2*).

…leading to strong growth in total labour income

The combination of strong annual growth in hourly earnings and a 2.8% annual increase in hours paid meant that total gross earnings increased 7.0% in the year to December 2007 - weaker than a year ago but still strong growth. Wage growth on the QES measure was similar to our *Half Year Update* forecast, but hours paid were higher than forecast, resulting in slightly higher labour income in the December quarter. Consistent with this, PAYE tax receipts, which are running 8.8% ahead of the same period last year, were 0.4% above our *Half Year Update* forecast in the seven months to January.

Inflation pressures remain elevated

The wage data showed that firms' labour costs continue to increase. The input Producer Price Index showed that other input costs apart from labour and capital are also rising. Input prices increased 1.3% in the December quarter and were 3.4% higher than a year earlier. Prices for capital items also continued to increase in the December quarter, especially for construction and land improvements. Plant and machinery price increases were generally more moderate, thanks to the strength of the NZ dollar. Overall, capital goods prices increased 2.3% in the year to December 2007. Prices for firms' output increased 1.5% in the December quarter and were 4.0% higher than a year earlier.

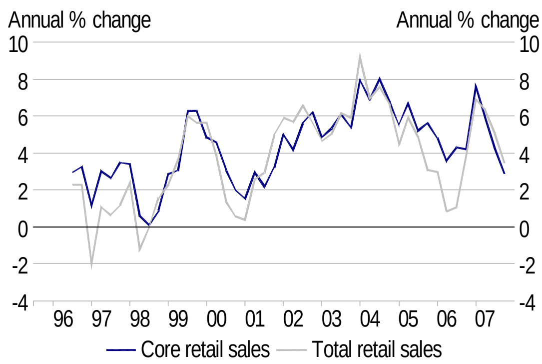
Reflecting the elevated price growth in the economy, the two measures of inflation expectations released in the month show inflation expectations remain high. The Reserve Bank's survey of inflation showed that inflation expectations for 2 years time remained unchanged at 2.7%, while the National Bank Business Outlook (NBBO) showed expected CPI inflation in 12 months time is 3.3%, up from 3.1% in the last survey. The NBBO showed that pricing intentions also remain elevated, with a net 27.6% of firms planning on increasing prices in the next three months.

However, given that inflation and labour market conditions tend to lag the rest of the economy, the slowdown of economic growth in the second half of 2007 should eventually lead to some easing in the labour market and non-tradable inflation pressures by the end of 2008.

Continuation of soft retail sales growth…

The volume of retail sales rose 0.3% in the December quarter (seasonally adjusted). When the automotive-related industries are excluded, the seasonally adjusted sales were unchanged on the previous quarter. This continuation of slow volume growth meant annual growth in core retail volumes was moderate at 2.9% over the year to December. This compares to annual growth of 7.6% in March 2007 (*Figure 3*).

Figure 3 – Retail sales growth

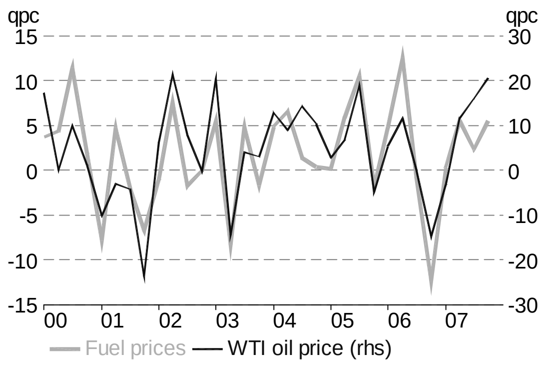


Source: Statistics NZ

High fuel prices, coupled with high interest rates and high food prices, were a key driver of the weakness in retail sales in the December quarter. According to the retail sales survey, automotive fuel prices grew 5.5% in the quarter as petrol companies passed on higher oil prices to consumers (*Figure 4*). The average West Texas Intermediate (WTI) crude price was up 20.5% in US$ terms in the quarter due to a weaker US dollar and geo-political events.

Petrol prices look set to continue to dampen consumption in early 2008 with the average 91 octane unleaded petrol price currently 3.5% above its December quarter 2007 average, as supply concerns continue to linger on world markets (notably Venezuela threatening to withdraw supply to the US). OPEC has noted that output levels will not be increased out of fear that a softening global economy will translate into weakened demand and therefore lower prices.

Figure 4 – Oil and fuel prices



Source: Statistics NZ, Datastream

With respect to food prices, the retail sales survey showed that supermarket and grocery prices rose 1.3% in the December quarter, reflecting, in part, high dairy prices that New Zealand farmers are benefiting from. As with petrol prices, rising food prices look set to continue to dampen volume growth in consumption with the Food Price Index growing 4.4% annually in January.

...points to soft private consumption growth…

Based on the retail sales survey and other indicators, we expect real private consumption growth in December quarter to be in the range of 0.2%-0.3%, in line with our *Half Year Update* forecast. The rising food and petrol prices discussed above, high interest rates and a slowing housing market, combined with the impact of drought on farmers' incomes, also means the outlook for private consumption in the first half of 2008 looks similarly subdued.

Other indicators confirmed the weak outlook for consumption growth in early 2008. In the latest One News/Colmar Brunton poll 44% of respondents believe the economy will be in worse shape over the next 12 months, down from from 41% in the last poll, taken in December 2007. The value of electronic transactions in the retail sector rose 0.3% monthly in January. As has been the case in recent months, higher spending in the auto-sales and services sector, in part due to higher fuel prices, was a key contributor to growth. Indeed, excluding the auto sector, the monthly value of electronic transactions fell 0.6% in January. Credit card billings in New Zealand recorded similarly sluggish growth in January of only 0.1%. As these electronic and credit card measures are nominal and inflation is still elevated, these figures imply weaker real activity than the headline number.

Consistent with the slowing domestic demand profile, GST tax receipts are 0.4% below our *Half Year Update* forecasts in the seven months to January, although they are running 6.1% ahead of the same period last year, reflecting strong private consumption growth in the first half of 2007.

… **as the housing market stimulus wanes…**

The significant cooling in the housing market over the past year, discussed in more detail in this month's special topic, is likely to have contributed to the weak retail sales in the December quarter. New dwelling consents, excluding the volatile apartment series, rebounded in January to be up 5.0%. However, this follows a sharp fall in the December month and consents are 7.3% down from a year earlier after a year of continued weakness.

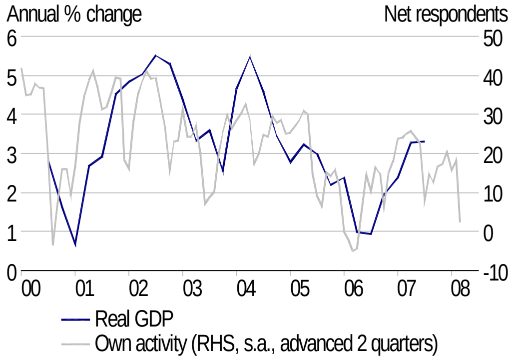
…due, in part, to slowing net migration

Net migration inflows continued to ease in January, reducing the annual net gain of permanent and long-term migrants to 4,800 - this compares to 14,100 in January 2007. The fall in the annual net inflow in the past year has reduced the demand for housing in 2007, and contributed to some of the weakness in the housing market. The continuation of this slowing of net inflows points to further slowing in the housing market and will not help ease the pressures in the labour market as growth in the labour supply slows.

Growth outlook weakens…

Indicators of business sentiment fell in the February National Bank Business Outlook. Business confidence became more negative, falling to a net 44% of firms expecting the outlook to deteriorate from 25% in the previous survey. The activity outlook, our preferred measure, also experienced a similarly large decline falling to a net 2% of firms expecting an increase in their own activity, down from 18%. Figure 5 indicates that such a decline (if sustained) implies a weak outlook for real GDP growth in 2008.

Figure 5 – Own activity outlook and growth



Source: Statistics NZ, National Bank

Firms' profit expectations also declined in the latest survey across all sectors with the exception of the construction industry. Slowing consumer spending is clearly weighing on the retail sector, with their profit expectations declining particularly sharply. Pessimism in the agricultural sector reflects the effects of the high exchange rate, the drought and lower prices in some commodities, while the construction industry's relatively positive result probably reflects a positive outlook for commercial construction offsetting a decline in the outlook for residential construction.

…while corporate tax down

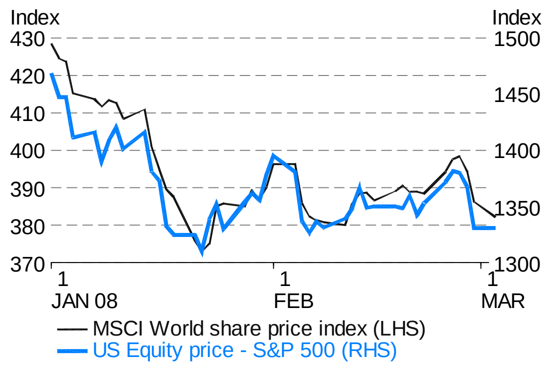
Net corporate tax revenue was 3.9% less than our *Half Year Update* forecast in the seven months to January and 3.5% below the same period last year. While some of this variance may be due to weaker profits (consistent with declining business sentiment and profit expectations), there was also a sizeable element of the negative variance that cannot, at this stage, be attributed to any one cause. It may be genuinely lower-than-expected profits (in addition to that mentioned above), or it may simply be caused by some large taxpayers filing later than usual because, for example, they have opted into the Portfolio Investment Entity (PIE) regime. The situation should become clearer over the next few months as more data come to hand.

Weak global outlook weighs on outlook for the New Zealand economy…

Economic data released this month in the US was generally negative. Consumer confidence fell to levels typically associated with recession, production activity indicators were weak and construction activity fell. A positive was US January retail sales - which although soft (+0.3%) - were higher than expected. The persistent run of weak data and pessimistic news out of the US and the Euro zone in the last few months have seen many forecasters revise down their growth outlook for the two economies. The February edition of *Consensus Forecasts*[1] for the Euro and US economies showed the 2008 calendar year GDP annual average growth forecasts (now 1.6% for both economies) were nearly a 1/3 lower than the September survey. Slowing activity has yet to dampen inflation pressures in these economies however - with annual US inflation 4.3% in January and 3.2% in the Euro zone.

Global equity markets consolidated after their big falls in January (see *Figure 6*). Early in February share markets fell on increasing fears of US recession, but recovered slightly later in the month only to fall again at the end of the month as risk aversion heightened.

Figure 6 – World and US share indices



Source: Datastream

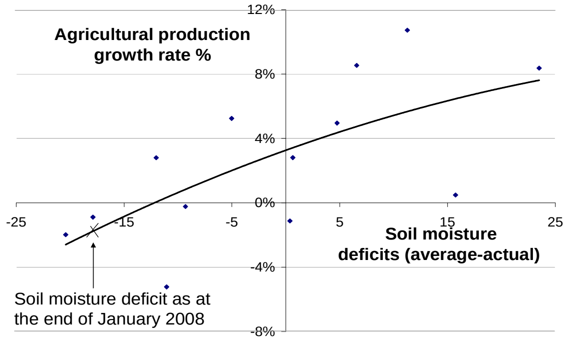
… as does drought in the short term

The current drought in New Zealand (the Waikato and the Bay of Plenty being the worst hit areas) is another factor weighting on the New Zealand economy. Previous Treasury research has emphasised the importance of climate shocks on the economy.[2] The most important channel through which the drought will impact on the economy is by restricting agricultural production.

[1] A monthly survey of 240 prominent forecasters world wide.

[2] See Buckle et al. (2002), *A structural VAR model of the New Zealand business cycle*, New Zealand Treasury Working Paper 02/26

Figure 7 – Growth in real agricultural production and soil moisture



Source: NIWA, Statistics NZ, New Zealand Treasury

Figure 7 shows that based on historical relationships, the current level of soil moisture implies that growth in agricultural production could be between 0% and 2% lower than last year - although Figure 7 shows there are large confidence bands around such an estimate. Low lake levels and therefore higher winter electricity prices, another consequence of drought, could also impact on the economy through increasing costs to business and reducing consumers' disposable incomes. Additionally electricity generation from more expensive sources (for example gas and geo-thermal) will result in less value added and therefore, all else equal, lower real GDP. The final impact of the drought on the economy depends on what happens with the weather - significant rain in coming weeks in the critical regions will limit the impact on the economy of the current dry spell. Recent rain in March in the South Island has helped mitigate impacts associated with hydro generation.

Narrowing of trade deficit

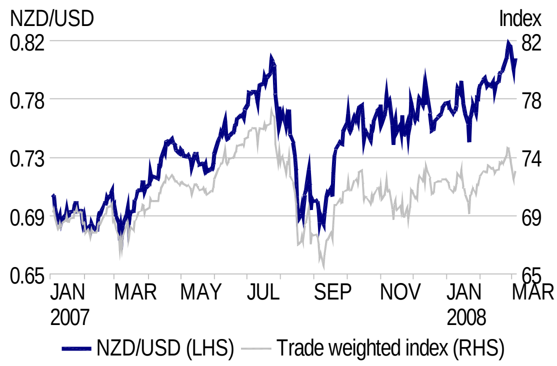
The annual merchandise trade deficit in January was smaller than a year ago (down from $6.0 billion to $4.8 billion), and down from the previous month ($5.3 billion in December). The main reasons for the continued narrowing of the deficit recently are oil exports (from the Tui oilfield), high dairy prices increasing dairy export values (although export values were down sharply in the January month reflecting the drought in some dairy producing areas) and slower growth in imports (particularly consumption and investment goods) as domestic demand slows.

While Tui oil will continue to help reduce the trade deficit, the impact of dairy prices looks likely to lessen in the future as international spot dairy prices fell 1.8% in February - although contractual arrangements mean the follow-through to prices received by farmers will take time. In aggregate, the world price of New Zealand export commodities rose 0.9% in the month and 26.7% over the year. An appreciation of the exchange rate meant New Zealand dollar commodity prices fell 2.2% in February.

NZ dollar goes higher

Lower interest rate and/or doubts about the likelihood of future rises has led to the NZ dollar appreciating against the major currencies. USD weakness due to continued concerns about the US economic growth outlook meant the NZD appreciated against the NZD to US 80 cents (and briefly to US 82 cents). The TWI stood at 73.2 at the end of February (see *Figure 8*).

Figure 8 – NZD/USD and TWI



Source: Datastream, RBNZ

Reserve Bank highlight uncertainty

In leaving the official cash rate unchanged on 6 March, the Reserve Bank highlighted that while inflation pressures remain there are now significant downside risks to activity (particularly the drought, the housing market and international events). The Reserve Bank is forecasting sub-trend growth of around 2% for the next 3 years.

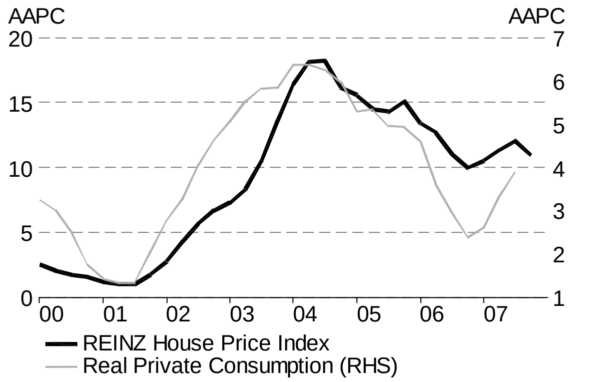
Coming up in March

Key data relating to the balance of payments and growth in GDP in the December quarter will be released at the end of March and other data released during the month will provide further clues as to the course of the economy in the first quarter of 2008.

Special Topic: Outlook for the housing market

The housing market has weakened considerably since our previous update in the September 2007 *Monthly Economic Indicators*, and even since our *Half Year Update* was released in December 2007. This special topic provides an update on recent developments in the housing market and the implications for residential investment and private consumption. Figure 9 illustrates the close relationship between house prices and consumption, highlighting the importance of the housing sector.

Figure 9 – House Prices and Consumption



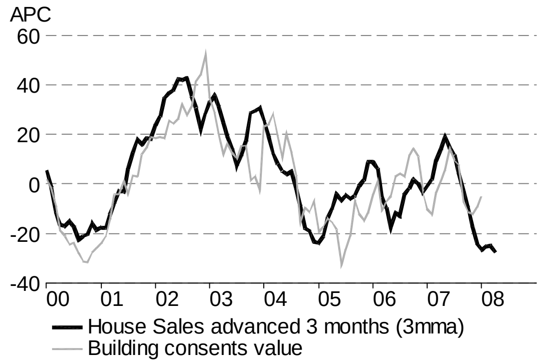
Sources: Statistics NZ, REINZ

The housing market is slowing …

Data available from Real Estate Institute of New Zealand (REINZ) shows that annual average growth in the median house price declined to 11% in the December quarter 2007 (*Figure 9*). Additional REINZ data suggest a major correction in the housing market has begun to take place: house sales for the year to January are 31% lower than one year ago. The median number of days to sell a house (41 on a seasonally adjusted basis) is also at recent highs. Finally, median house prices on a monthly basis have essentially remained flat for the past 10 months.

The weak data relating to sales has begun to feed through to residential building consents. The trend value of consents (both total and excluding apartments) has been decreasing since July 2007. The fall in consents looks set to continue in the near term given the relationship in Figure 10.

Figure 10 – House Sales and Consents



Sources: Statistics NZ, REINZ

Other data help to build a more complete picture of the market. The quarterly ASB Confidence Index released in February shows the net balance of respondents expecting house prices to rise over the coming year continues to fall. The National Bank Business Outlook tells a similar story with an increasing number of respondents believing residential investment will soften in the next 12 months. Consistently weak housing data has convinced us that the housing market has begun a period of correction.

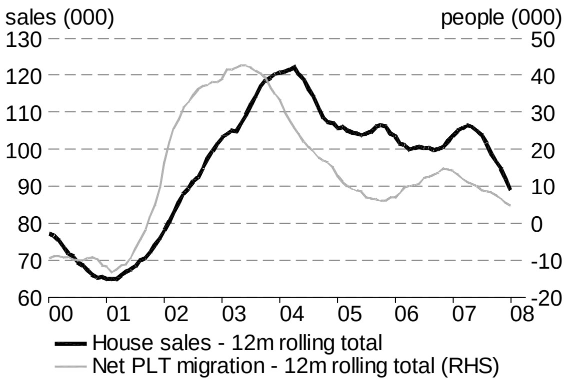
… as borrowing costs increase and net migrant inflows fall

There are two fundamental drivers of the slowdown in the market for existing homes: higher borrowing costs for households and weaker net migration.

Four successive increases in the Official Cash Rate (OCR) by the Reserve Bank last year have slowed momentum in the housing market as the demand for existing houses wanes. The effect of current international developments is also an important influence on borrowing costs. Financial markets have been in a state of turmoil following the fallout from the “subprime” crisis in the US. Banks are tightening lending criteria, and rates are increasing despite no increases in the OCR since July 2007. The effective mortgage rate (the average rate for the pool of borrowers) continues to increase as borrowers roll over fixed term loans at higher interest rates. Currently, the effective rate is 8.50%, a full 50 basis points above last year’s rate and will continue to increase as fixed rate mortgages are reset (more than a quarter of all home loans are due for re-pricing in the next year).

The other fundamental factor compounding lower demand is a drop-off in net migration. For the twelve months to January, arrivals exceeded departures by just 4,800 people after falling from 14,100 a year ago. As evident in Figure 11, net migration and house sales move together as higher population growth increases the demand for housing. These trends are reflected in sales (and prices) of existing homes first before leading to an increase in residential building consents and work put in place. If net migration remains low, annual figures will continue to fall, pointing to a further easing in sales.

Figure 11 – House sales and migration



Source: Statistics NZ, REINZ

The tight labour market is offsetting these two fundamental factors to some degree. Recently, the participation rate and the unemployment rate reached a record high and low respectively and wage growth has remained high. However, the labour market on its own is unlikely to be able to support current prices of homes.

Implications of a weaker housing market for GDP

A weak housing market impacts on economic growth through a variety of channels, particularly by lowering residential investment and private consumption.

Recent falls in house prices and sales point to lower growth for investment in residential property. Once we consider further increases in lending rates, a declining trend in dwelling consents and recent falls in net migration inflows, we see residential investment falling further than previously expected in the short term. As house price growth moderates, the growth in potential collateral also eases, making it more difficult for borrowers to continue accessing new funds.

The link between house prices and private consumption is also strong. In the last few years we have seen an increase in consumption due to rising house prices. Homeowners feel wealthier due to higher prices and may extract some of the equity from their homes for spending on goods and services. As house prices begin to correct, we expect to see less equity withdrawal and a lower profile for spending growth as households consolidate. Another way a slowing house market will impact on private consumption is through a fall in the demand for durable goods. A number of durable goods are complementary with housing (such as whiteware and furniture) so as the housing sector weakens, we expect growth in sales of these goods to also decline.

In the *Half Year Update* we expected house prices to moderate in the near term and residential investment levels to fall by the end of 2008. It is now apparent that both annual growth in residential investment and house prices will be declining sooner than previously thought.

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

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New Zealand Key Economic Data

Quarterly Indicators

		2006Q2	2006Q3	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.0	0.4	0.7	1.2	0.8	0.5	...
	ann ave % chg	2.1	1.6	1.6	1.6	2.1	2.7	...
Real private consumption	qtr % chg[1]	0.0	0.9	1.3	2.1	0.4	0.3	...
	ann ave % chg	3.6	3.0	2.4	2.6	3.3	3.9	...
Real public consumption	qtr % chg[1]	1.9	0.8	0.7	0.6	1.0	2.1	...
	ann ave % chg	4.9	4.9	4.7	4.4	4.3	4.3	...
Real residential investment	qtr % chg[1]	-6.1	3.8	1.5	-0.2	3.5	1.9	...
	ann ave % chg	-4.9	-3.5	-3.0	-2.7	1.6	3.6	...
Real non-residential investment	qtr % chg[1]	-4.1	1.4	1.3	3.6	-1.8	-0.8	...
	ann ave % chg	5.7	2.1	-1.1	-2.2	0.3	1.9	...
Export volumes	qtr % chg[1]	2.1	2.5	-1.3	2.2	-0.8	-0.6	...
	ann ave % chg	0.6	1.2	1.7	3.1	3.5	2.3	...
Import volumes	qtr % chg[1]	-1.7	0.7	1.5	4.1	2.6	0.2	...
	ann ave % chg	0.9	-2.4	-2.8	-1.7	1.7	5.3	...
Nominal GDP - expenditure basis	ann ave % chg	4.3	4.2	4.7	5.0	6.4	7.2	...
Real GDP per capita	ann ave % chg	1.0	0.4	0.3	0.4	1.0	1.6	...
Real Gross National Disposable Income	ann ave % chg	0.3	-0.1	0.4	1.7	2.9	3.6	...
External Trade								
Current account balance (annual)	NZ$ millions	-14604	-14031	-14004	-13522	-13682	-14234	...
	% of GDP	-9.2	-8.8	-8.6	-8.2	-8.1	-8.3	...
Investment income balance (annual)	NZ$ millions	-11763	-11832	-12092	-11863	-11880	-12358	...
Merchandise terms of trade	qtr % chg	2.6	-2.2	2.5	1.5	0.4	3.7	...
	ann % chg	0.5	-1.3	3.8	4.5	2.3	8.4	...
Prices								
CPI inflation	qtr % chg	1.5	0.7	-0.2	0.5	1.0	0.5	1.2
	ann % chg	4.0	3.5	2.6	2.5	2.0	1.8	3.2
Tradable inflation	ann % chg	3.8	3.0	1.1	0.8	-0.5	-0.3	2.8
Non-tradable inflation	ann % chg	4.1	4.0	3.9	4.0	4.1	3.7	3.5
GDP deflator	ann % chg	1.6	2.9	2.9	3.0	4.1	3.8	...
Consumption deflator	ann % chg	3.2	3.1	2.5	2.0	1.6	1.5	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.8	-0.3	0.1	1.2	0.6	-0.3	1.1
	ann % chg[1]	3.1	1.4	1.4	1.7	1.6	1.6	2.5
Unemployment rate	%[1]	3.6	3.8	3.8	3.7	3.6	3.5	3.4
Participation rate	%[1]	68.6	68.3	68.1	68.6	68.7	68.3	68.8
LCI salary & wage rates - total (adjusted)[6]	qtr % chg	0.7	1.0	0.9	0.6	0.6	1.0	1.0
	ann % chg	3.3	3.2	3.2	3.2	3.1	3.1	3.3
LCI salary & wage rates - total (unadjusted)[6]	qtr % chg	1.0	1.4	1.3	0.8	1.0	1.7	1.4
	ann % chg	5.5	5.1	4.9	4.5	4.6	4.8	5.0
QES average hourly earnings - total[6]	qtr % chg	1.2	1.6	0.8	1.0	0.8	1.3	1.0
	ann % chg	4.4	5.0	5.0	4.6	4.3	4.0	4.2
Labour productivity[7]	ann ave % chg	0.7	1.1	0.7	1.0	1.4	1.9	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	106	112	120	118	111	114	110
QSBO - general business situation[4]	net %	-43.8	-19.1	3.5	-15.3	-36.6	-27.3	-26.4
QSBO - own activity outlook[4]	net %	-0.8	10.5	15.0	16.1	8.8	15.4	13.9

Monthly Indicators

		2007M 8	2007M 9	2007M10	2007M11	2007M12	2008M 1	2008M 2
External Sector								
Merchandise trade - exports	mth % chg[1]	6.5	7.7	12.4	-2	5.8	0.4	...
	ann % chg[1]	-2.4	3.9	24.1	21.4	24.2	24.1	...
Merchandise trade - imports	mth % chg[1]	-1.2	1.1	9.9	-3	2.2	-3	...
	ann % chg[1]	-2.6	2.4	6.2	10.4	11.3	2.6	...
Merchandise trade balance (12 month total)	NZ$ million	-6336	-6282	-5883	-5685	-5306	-4801	...
Visitor arrivals	number[1]	212860	205580	200280	205860	203350	203430	...
Visitor departures	number[1]	208230	208080	204180	204850	201940	207020	...
Housing								
Dwelling consents - residential	mth % chg[1]	4.7	-9.2	-5.4	1.2	-3.9	3.3	...
	ann % chg[1]	-2.1	-15.2	-16.5	-4.3	-6.3	-4.5	...
House sales - dwellings	mth % chg[1]	-8.6	-8.7	12.7	1.3	-7.5	-0.3	...
	ann % chg[1]	-25.3	-32	-22.5	-21.9	-32.1	-31.2	...
REINZ - median dwelling price	mth % chg	1.5	0.5	-1.3	-0.4	-0.4	-0.6	...
	ann % chg	12.9	12.2	8.1	6.8	4.6	4.1	...
Private Consumption								
Core retail sales	mth % chg[1]	0.8	0.4	-1.0	0.8	0.3	...	...
	ann % chg[1]	6.7	5.0	3.0	4.4	4.3	...	...
Total retail sales	mth % chg[1]	0.3	1.1	-0.4	1.7	0.1	...	...
	ann % chg[1]	5.6	5.8	4.4	6.9	6.0	...	...
New car registrations	mth % chg[1]	1.0	-6.8	5.4	-3.9	-2.9	...	...
	ann % chg	10.9	0.1	4.7	2.3	1.4	...	...
Electronic card transactions - total retail	mth % chg[1]	1.5	1.2	-0.6	1.8	0.0	0.3	...
	ann % chg	8.2	8.1	7.7	10.0	7.3	8.7	...
Migration								
Permanent & long-term arrivals	number[1]	7370	7120	6750	6980	6660	6630	...
Permanent & long-term departures	number[1]	6640	6450	6500	6510	6650	6570	...
Net PLT migration (12 month total)	number	8730	8309	7517	6588	5491	4799	...
Commodity Prices								
Brent oil price	US$/Barrel	71.31	76.77	82.51	92.73	91.52	92.09	94.72
WTI oil price	US$/Barrel	72.39	79.63	85.93	94.77	91.77	92.98	95.36
ANZ NZ commodity price index	mth % chg	10	1.5	-3.8	0.8	-0.9	-1.8	-2.2
	ann % chg	20.3	25.1	21.5	20.9	19	15.9	11.4
ANZ world commodity price index	mth % chg	1.4	0.4	1.8	0.8	0	-1.4	0.9
	ann % chg	36.3	35.7	37.8	35.9	30.9	27.4	26.7
Financial Markets								
NZD/USD	$[2]	0.7285	0.7171	0.7606	0.7624	0.7686	0.7718	0.7968
NZD/AUD	$[2]	0.8766	0.8492	0.8464	0.8499	0.8811	0.8758	0.8733
Trade weighted index (TWI)	June 1979 = 100[2]	70.18	68.33	71.22	70.26	71.58	71.24	72.96
Official cash rate (OCR)	%	8.25	8.25	8.25	8.25	8.25	8.25	8.25
90 day bank bill rate	%[2]	8.72	8.81	8.68	8.73	8.9	8.75	8.82
10 year govt bond rate	%[2]	6.4	6.16	6.37	6.39	6.4	6.28	6.4
Confidence Indicators/Surveys								
National Bank - business confidence	net %	-33.8	-26.5	-12.9	-19.6	-24.9	-43.9	...
National Bank - activity outlook	net %	16.7	17.2	20.3	15.7	18.2	2.4	...
One News[5] - consumer confidence	net %	-8	-8	-2	-6	-10	-16	...

qtr % chg	quarterly percent change	1	Seasonally adjusted
		2	Average (11am)
mth % chg	monthly percent change	3	Westpac McDermott Miller
ann % chg	annual percent change	4	Quarterly Survey of Business Opinion
ann ave % chg	annual average percent change	5	One News Colmar Brunton
		6	Ordinary time
		7	Production GDP divided by HLFS hours worked

Sources: Statistics New Zealand, Reserve Bank of New Zealand, National Bank of New Zealand, NZIER, ANZ, Datastream, Westpac McDermott Miller, One News Colmar Brunton