Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

June 2008

Executive Summary

- **Real GDP fell by 0.3% in the March 2008 quarter**
- **Terms of trade boosted further by higher export prices for dairy products**
- **Current account deficit reduces only slightly despite terms of trade boost**
- **Real GDP growth to stay subdued in 2008 as household spending remains weak and due to the lingering impact of the drought**

The New Zealand economy contracted by 0.3% in the first quarter of 2008 (measured through real production GDP), slightly more than expected in the *Budget Update*. This weakening was driven by a number of factors influencing the economy in early 2008. Drought conditions across much of the country negatively affected agriculture production and exports, while consumer spending and housing investment were subdued by high food and fuel prices, slowing net migration inflows and high interest rates.

Despite the fall in real GDP in the quarter, annual average growth was robust at 3.0% in the year to March 2008, reflecting growth in previous quarters. With hours worked falling slightly, economy-wide labour productivity growth rose to an 8-year high of 3.1% in the year to March 2008. The rebound partly reflected the recent economic upturn (productivity tends to be pro-cyclical) and recent strong growth in plant, machinery and equipment investment.

Although real GDP fell, GDP measured through nominal expenditure rose 0.5% in the March quarter and 7.4% in the year to March 2008. Price growth was again greatest in exports, reflecting the strong prices being received for dairy exports, which flows through to higher national income. The merchandise terms of trade rose 4.1% in the March quarter, above the 3.5% *Budget Update* forecast. The increase in the terms of trade to a 34-year high was due to higher export prices more than offsetting higher import prices. However, the terms of trade is likely to be at or near a peak as import prices will have risen further in the June quarter as a result of the sharp rise in oil prices.

The annual current account deficit narrowed only slightly to 7.8% of GDP in March from 7.9% in December, despite the large boost to the terms of trade, compared to a *Budget Update* forecast of 7.4%. One cause of the smaller narrowing was a wider investment income deficit due to lower earnings by overseas subsidiaries of New Zealand companies, a reflection of the current tougher international trading environment.

The past month has also seen the release of data that point to further weakness in the June 2008 quarter. There is a possibility that the economy has experienced a technical recession in the first half of 2008 (when real GDP declines for two consecutive quarters). Although some notable positive factors remain, economic growth in the year to March 2009 is expected to be around ½ percentage point weaker than the rate of 1.5% we forecast in the *Budget Update*, particularly if oil prices remain at current elevated levels. This month's MEI includes a special topic on oil prices.

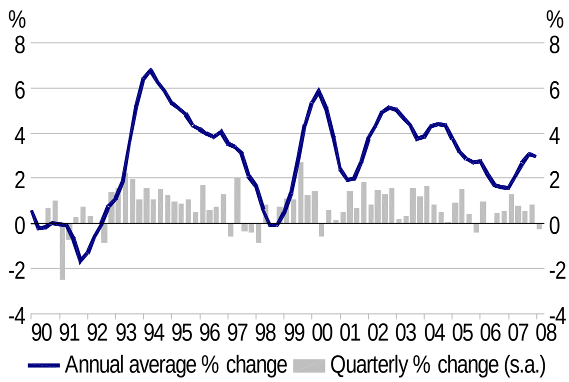
Commentary

The past month has seen the release of data that confirm a sharp slowing of growth in early 2008 and point to further weakness in the June 2008 quarter. It is possible that the economy has experienced a technical recession (when real GDP declines for two consecutive quarters) in the first half of 2008. In addition, economic growth in the year to March 2009 is expected to be weaker than we forecast in the *Budget Update*, especially if oil prices remain elevated.

The economy contracted in the first quarter …

Real production GDP fell by 0.3% in the March quarter, the first quarterly fall since 2005 and only the second since 2000 (*Figure 1*). The decline matched the median market pick but was larger than the 0.1% fall forecast in the *Budget Update*.

Figure 1 – Real GDP growth (production)



Source: Statistics NZ

The largest negative contribution to the March quarter result came from lower agriculture production and primary food manufacturing, which subtracted 0.4 percentage points from growth. This was due to drought conditions both reducing the amount of agricultural output and raising production costs due to the need to use supplementary feed.

The goods producing industries also subtracted from GDP, mainly due to the construction sector where there were falls in both residential and non-residential building activity. Once we subtract primary food manufacturing, which is affected by levels of agricultural production, manufacturing was relatively steady in the quarter. Services provided some offset to the falls in agricultural production and construction, contributing 0.2 percentage points to growth with increases in personal and community services providing the greatest boost.

… as exports and domestic demand weakened

Real expenditure GDP fell by 0.6% in the March quarter. A 1.8% decline in exports contributed 0.6 percentage points to the fall in GDP. Following strong increases in previous quarters, dairy exports fell as drought affected production. Exports of manufactured food, beverage and tobacco products also fell (again likely due to the drought) as did services exports due to declining tourism. Drought also led to an increase in meat export volumes as slaughtering was brought forward.

Consumer spending fell 0.4% in the quarter, the first decline in nearly 4 years. This fall was due to a drop in spending on durables such as vehicles, furniture and appliances and likely reflected the strain on household budgets from rising food and fuel prices and mortgage interest rates. Slowing housing demand was reflected in a 5.5% decline in residential investment in the quarter.

Business investment also fell, down 1.2% in the quarter, mainly associated with falling investment in non-residential buildings and intangibles (particularly mining exploration activity, following strong growth in previous quarters). A 5.9% increase in plant, machinery and equipment investment in the March quarter provided some offset and built on increases of around 5% in each of the previous two quarters. Possible factors behind this include continuing dairy conversions, a relatively high dollar still making imported capital equipment relatively cheap, and efforts to switch from labour following a difficult period attracting workers. Much of the March quarter increase in plant, machinery and equipment investment was met out of imports. Plant, machinery and equipment imports rose 8.8% in the March quarter contributing to a rise in overall import volumes of 1.2%. In contrast, consumer goods imports fell 1.2% in the March quarter.

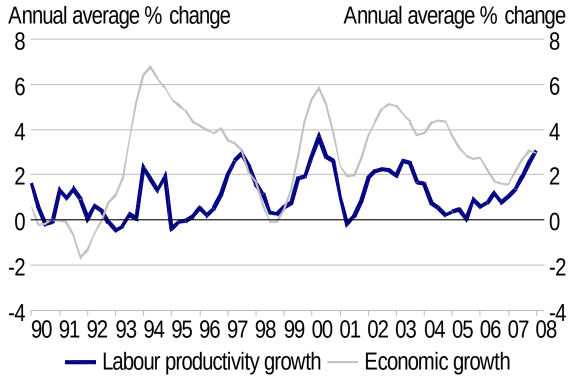
Rising stock levels may be involuntary

While an increase in stock levels made a large 0.8 percentage point contribution to GDP growth in the quarter, it is likely that much of this reflects slow sales in the retail sector. With consumption of durables particularly weak this quarter, it is likely that retailers have been left holding higher stock levels than they would like, possibly leading to further discounting of some consumer goods.

The decline in real GDP in early 2008 came after robust growth in 2007 …

Despite the fall in real GDP in the quarter, annual average growth was robust at 3.0% in the year to March 2008 reflecting growth in previous quarters. With hours worked falling slightly, economy-wide labour productivity growth rose to an 8-year high of 3.1% in the year to March 2008 (*Figure 2*).[1] The rebound partly reflected the recent economic upturn (productivity tends to be pro-cyclical) and recent business investment. Although a slowing of economic growth in 2008 may have a dampening impact, strong growth in plant, machinery and equipment investment in recent quarters will be a positive influence for ongoing labour productivity growth.

Figure 2 – Labour productivity growth (real GDP per hour worked) and economic growth



Source: Statistics NZ, Treasury calculations

… and price growth boosted nominal GDP …

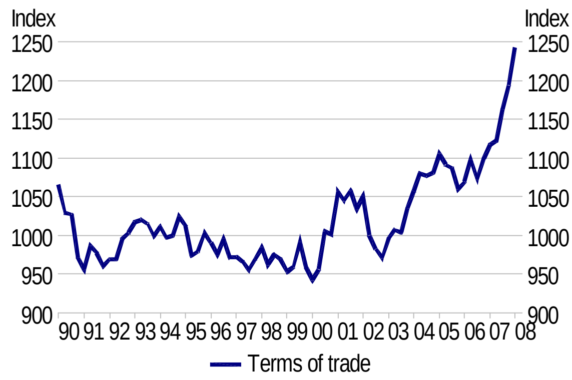
Although volumes fell 0.6%, nominal expenditure GDP rose 0.5% in the March quarter and 7.4% in the year to March 2008. The GDP deflator, the broadest measure of prices in the economy, rose 1.1% in the March quarter and was up 4.9% over the year. Rising petrol and food prices contributed to private consumption prices rising 0.9% in the quarter, but price growth was again greatest in exports.

… as dairy export prices increased sharply …

The merchandise terms of trade rose 4.1% in the March quarter, above median market expectations of 0.3% and the 3.5% *Budget Update* forecast. The increase in the terms of trade to a 34-year high was due to higher export prices more than offsetting higher import prices (*Figure 3*).

[1] Official productivity statistics for the March 2008 year are not released until March 2009 and may not show a rebound in labour productivity growth as seen in the economy-wide data as they cover the measured sector (ie, about a quarter of the economy is excluded) and the measure of labour input is paid hours, which have not been as weak as actual hours worked.

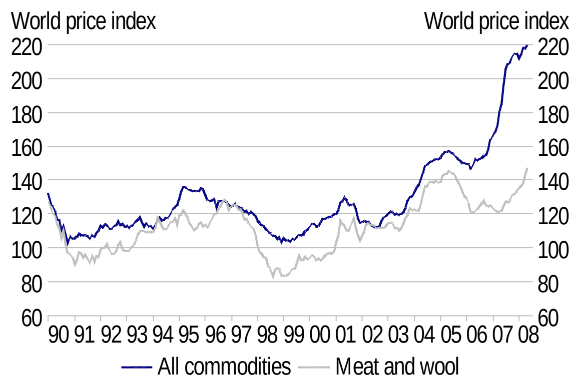
Figure 3 - Merchandise terms of trade



Source: Statistics NZ

Export prices rose 4.5% in the March quarter as dairy prices surged 19.7% higher. The world spot prices for dairy have eased since late 2007, partly owing to increased US dairy production. This suggests weaker growth in export prices in the near term as contract prices for dairy begin to reflect the fall in the spot prices. However, export prices will likely be supported by increasing prices for commodities other than dairy. The ANZ world commodity price index has continued to rise for commodities such as meat and wool (*Figure 4*).

Figure 4 – Commodity prices



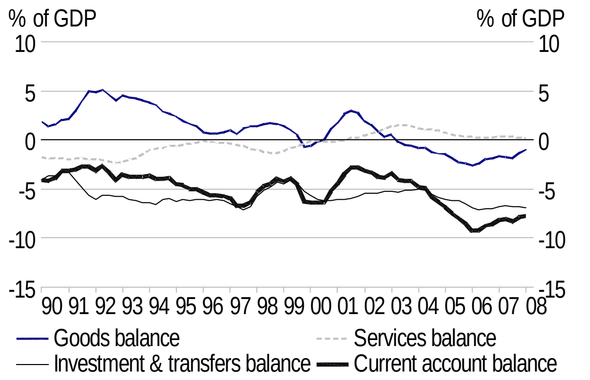
Source: ANZ-National Bank

A 0.3% rise in import prices in the March quarter was largely due to higher oil prices. Import prices are likely to increase by more in the June quarter as oil prices are considerably higher than in the March quarter (see Special Topic). Combined with weaker growth in export prices, the terms of trade is likely to be at or near a peak.

… but current account deficit remains high

Despite the large rise in the terms of trade, the current account deficit narrowed only slightly from 7.9% of GDP in the year to December 2007 to 7.8% in the year March 2008 (*Figure 5*). The result was larger than our *Budget Update* estimate of 7.4% and a median market prediction of 7.5%.

Figure 5 – Current account



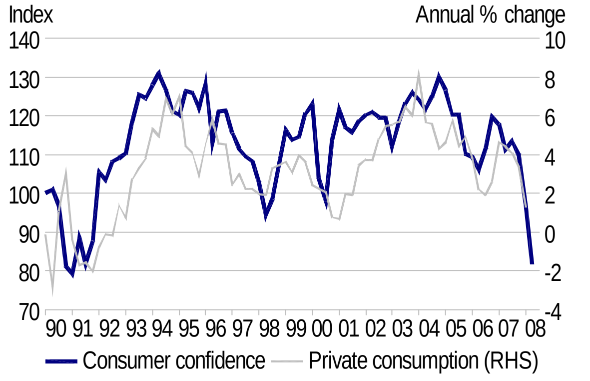
Source: Statistics NZ

The quarterly current account deficit (seasonally adjusted) rose $410 million to $3.53 billion in the March quarter, driven by a higher value of goods imports (chiefly oil, reflecting increased prices and stock building) and a wider investment income deficit. One cause of the wider investment income deficit was lower earnings by overseas subsidiaries of New Zealand companies, a reflection of the current tougher international trading environment. Higher dairy prices boosted the value of goods exports in the quarter even though the drought affected volumes.

Household spending to remain subdued …

Weakness in consumer spending in the March 2008 quarter is likely to persist into the June and September quarters as the Westpac Consumer Confidence Index fell from 96.5 to 81.7 in the June quarter, the lowest since the 1991 recession (*Figure 6*). Continuing the weakness in durable consumption seen in the GDP release, a net 11% of respondents say it is now a bad time to buy major household items. Increasing costs and the prospect of falling house prices appear to be weighing on consumers' assessment of their financial circumstances, with a net 40.8% of respondents feeling worse off than last year.

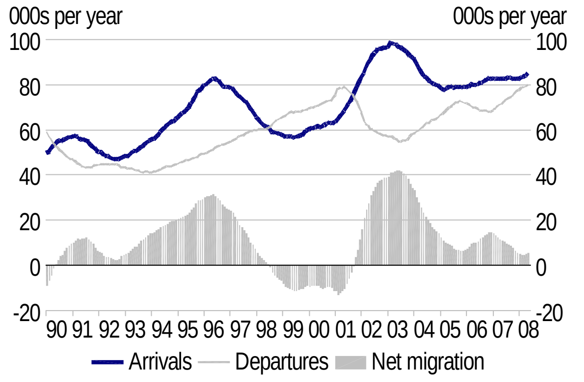
Figure 6 – Consumer confidence and spending



Source: Westpac McDermott Miller, Statistics NZ

A slowing housing market points to weakness in residential investment. Residential building consents in May were 27% lower than a year earlier, house sales in May were 53% lower than a year earlier, the median days to sell a house rose in seasonally adjusted terms from 45 days in April to 47 days in May, while the median house price for the month of May was flat at $345,000. One factor that could be positive for the housing market is the net gain of permanent and long-term (PLT) migrants. The net gain of 1,000 in May 2008 (seasonally adjusted) was the highest since late 2006 and lifted the annual total to 4,900 in the year to May 2008 (*Figure 7*). Although it is too early to confirm a positive trend given volatility in monthly data, migration is slightly more positive than in the *Budget Update* forecasts.

Figure 7 – Net PLT migration

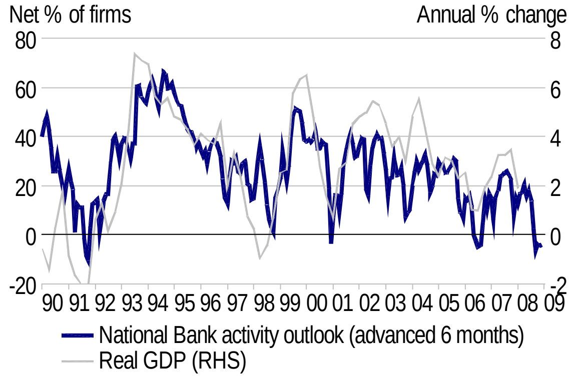


Source: Statistics NZ

… while firms are pessimistic …

Firms' expectations of their activity in the coming year, although up marginally from the previous survey, continue to point to a period of weakness in the economy (*Figure 8*). A net 4.0% of firms in the June 2008 National Bank Business Outlook (NBBO) expect their activity to fall, compared to a net 4.4% in May 2008. Of the five sectors, only agriculture has a positive outlook for activity.

Figure 8 – Activity outlook and economic growth



Source: ANZ-National Bank, Statistics NZ

Part of the slowing in GDP growth will be driven by a consolidation in household spending after a period of strong growth since 2000. A weakening labour market will play a part in this slowing in household spending – in the NBBO, a net 11.9% of firms expect to lower employment in the year ahead (the most since 2000) and a net 74.6% of firms expect the unemployment rate to increase in the year ahead (the worst result since the series began in 1993). These readings were broadly consistent with a weakening in the Westpac Employment Confidence Index from 128.8 to 120.8 in the June quarter. Although this index remained in positive territory, it was the lowest reading since the survey began in mid-2004.

… but inflation expectations are elevated

The latest NBBO also pointed to ongoing inflation pressure in the near term at least. Respondents expect inflation to be 3.5% in 12-months time, up from 3.4% in the previous survey and the second highest figure since 1991. The NBBO also reported a net 41.2% of firms expect to increase their prices in the next 12 months, up from 36.4% previously. Although these intentions may not be realised in a difficult trading environment, such an increase has implications for Consumers Price Index (CPI) inflation, which is likely to head higher from 3.4% in the year to March 2008 to exceed 4% in coming quarters.

Nevertheless, the weakening outlook for activity, and as a result non-tradables inflation, means that market expectations are for the Official Cash Rate (OCR) to decline in the second half of 2008. The weak nature of data in recent months has seen the market price in a larger and more rapid easing in the OCR than was previously the case.

The June NBBO revealed a similar theme with a net 34.8% of firms believing that interest rates will fall in the next 12 months, up from 23.7% in the May survey and 10.9% in the April survey.

International economies also concerned about lower growth and high inflation pressure

June Consensus Forecasts (a survey of global forecasters) showed the growth of New Zealand's trading partners is forecast to slow to 3.2% in the 2008 calendar year from 4.2% in 2007. This indicates that the global trading environment will continue to be difficult for New Zealand's exporters. While the slowing in growth is broad-based, the low rate of growth in the US and Europe is noticeable. This reflects the fact these economies have been particularly affected by recent financial market events. Financial concerns remain to the fore in the US with poor results reported by some investment banks and other financial institutions seeking fresh capital injections.

US and Eurozone consensus inflation forecasts continue to be revised for the 2008 calendar year to 4.0% and 3.3% respectively – these are up about 0.5 percentage points on the equivalent forecast three months ago. These revisions are consistent with increased concerns about inflation expressed by their central bank officials. Higher oil prices have been a key driver of inflationary pressures, as discussed in the Special Topic.

Weak economic growth likely to continue

In New Zealand, June 2008 quarter GDP growth is likely to remain weak as both consumers and businesses remained pessimistic. Further increases in petrol prices, along with the lingering effect of the recent drought (including its impact on electricity production), has also been present in the June quarter. There is a possibility that a second negative quarter of growth may occur but, with limited partial data available to date, it is too early to provide precise estimates. Furthermore, tax receipts (one of the most timely indicators of economic activity) remain robust as they rose 6.0% in the 11 months to May 2008 compared to the same period a year earlier, the same as forecast in the *Budget Update*.

The timing of Easter, which fell entirely in the March quarter, and the leap year will have had some impact on the March quarter figures and will also influence the June quarter results, potentially increasing data volatility. It is, however, difficult to determine whether the additional day in the March quarter or the loss of two trading days due to Easter will have dominated.

At this stage, near-term growth is coming in weaker than forecast in the *Budget Update*. In the year to March 2009, economic growth is expected to come in around ½ percentage point weaker than the 1.5% forecast in the *Budget Update*. Nevertheless, positives still exist such as high dairy payouts and personal tax cuts from 1 October and therefore growth is likely to be positive in the second half of the year. Future *Monthly Economic Indicators* reports will continue to monitor developments.

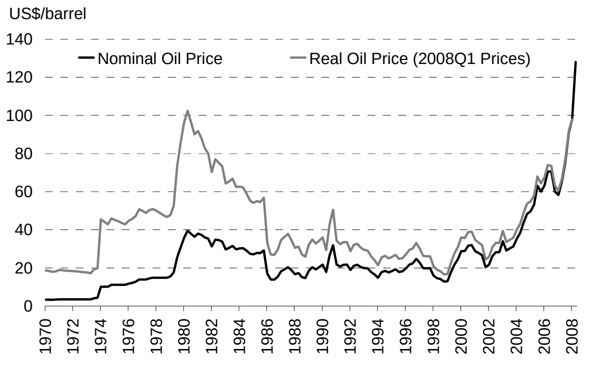
Special Topic: Oil prices

Oil prices have increased considerably recently, including since we finalised our *Budget Update* oil price assumption in mid-April. This special topic discusses our method of forecasting oil prices, the fundamental drivers of the recent increases, the impact of higher oil prices on the New Zealand economy and the long-term outlook for oil prices. The oil price referred to is for West Texas Intermediate, quoted in US dollars per barrel.

Oil prices reach record highs in real terms

In early July 2008, oil prices exceeded $145, a rise of over 30% (or $35) from the spot price in mid-April when we finalised our *Budget Update* forecasts. On a longer term perspective, oil prices are currently at record levels in nominal and real terms, i.e. adjusted for US inflation. In real terms, the average price in the June 2008 quarter was higher than the previous peak of just over $100 in early 1980 following the second oil shock.

Figure 9 – Nominal and real oil prices



Source: Datastream

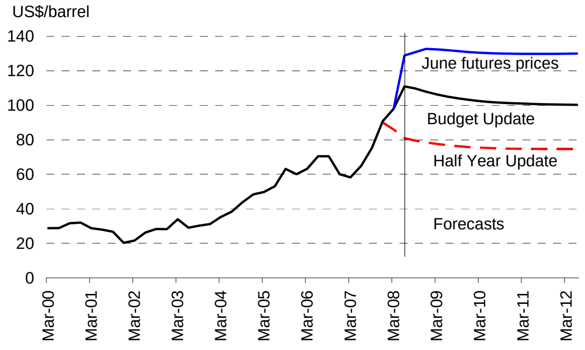
Prices have increased since *Budget Update*

Our *Budget Update* forecasts were based on a March quarter average of $98 and average oil futures prices in mid-April. Prices were assumed to decline from around $110 at that time to $100 by the end of the forecast period in mid-2012. These projections were approximately 35% higher than our assumption in *the Half Year Update* in late 2007. However, spot and futures prices have increased by nearly one third since the *Budget Update* forecasts were finalised (*Figure 10*).

Forecasts are based on futures prices

Since 2004, Treasury has based its projections of oil prices on the latest futures prices. Our analysis has shown that while this approach is far from perfect, it was at least as good as alternatives such as holding prices constant, extrapolating a trend or projecting a return to an equilibrium price. Futures prices should incorporate all information available to the market about supply and demand.

Figure 10 – Oil price forecasts



Source: Datastream

The main drawback of using futures prices recently is that they have generally shown a declining trend from current spot prices during a period when spot prices have continued to rise. June 2008 Consensus forecasts were for oil prices to fall to $110 in June 2009, with a wide range from $68 to $140 showing the uncertainty of forecasting commodity prices.

Price increases due to demand and supply

Rapid growth in demand, particularly from China and India, combined with slower growth in supply, has resulted in the rapid increase in oil prices. China's consumption nearly doubled in the past decade, while India's increased by more than half. Rapid growth in oil demand from Asia has been the result of the rapid expansion of those economies and their increasing industrialisation. Meanwhile consumption has actually fallen in some developed economies (*Table 1*).

Table 1 – World petroleum consumption

Thousand barrels per day

Country	1996	2006(p)	% change
United States	18,309	20,687	13.0%
China	3,610	7,201	99.5%
Japan	5,740	5,159	-10.1%
Russia	2,619	2,811	7.3%
Germany	2,922	2,665	-8.8%
India	1,681	2,572	53.0%
Canada	1,864	2,264	21.4%
Brazil	1,904	2,217	16.4%
Korea, South	2,101	2,174	3.5%
Saudi Arabia	1,332	2,139	60.7%
Top Ten 2006	42,083	49,890	18.6%
Rest of World	29,544	34,733	17.6%
Total World	71,627	84,623	18.1%

Source: US Energy Information Administration

World supply of oil and petroleum products increased by slightly less than consumption in the past decade, resulting in a run-down in stocks. Although supply is sufficient to meet demand, productive capacity has not kept pace, resulting in a decrease in spare capacity and a rundown in stocks, making price more sensitive to changes in supply and demand. The slow growth in investment in new fields and refineries is a result of the low prices from the mid-1980s until the late 1990s (oil prices averaged $20 in that period), higher costs of investment as more difficult fields are accessed, shortages of skills and capital, uncertainty about future demand (partly because of policy responses to climate change) and disincentives to invest in some countries.

Recently, other factors have compounded the tight market balance. In many developing countries consumers are shielded from high market prices by fuel subsidies which encourage higher consumption. On the supply side, geopolitical factors (such as tensions in the Middle East), disruptions in other oil production areas and weather events have added to supply constraints.

The fact that oil prices are quoted in US dollars has also been a factor as the greenback has weakened against the other major currencies in the past 8 years. Oil prices have risen 340% in US dollars in the past 8 years, compared to 180% in Euro and NZ dollar terms as those currencies have strengthened against the US dollar.

Speculation is also sometimes mentioned as a cause of higher prices. While there has been higher investment in commodities as other asset classes have underperformed, speculation is not a primary driver of higher oil prices, although it has had some impact.

Positive and negative impacts on NZ economy

The negative effects of higher oil prices on the New Zealand economy are felt through a fall in the terms of trade (i.e. a reduction in international purchasing power and income) and higher fuel prices (with indirect effects on the prices of other goods). Higher fuel prices lead households to reduce discretionary spending as fuel demand is typically slow to respond to price changes.

On the positive side, New Zealand is now an oil exporter, with exports equivalent to nearly 40% of oil and petroleum imports by value in the past six months. Oil export revenue is offset by higher investment returns to overseas owners, but New Zealand still gains from local ownership, purchase of local inputs, royalties and taxes. Higher world oil prices also boost the incomes of net oil-exporting nations and contribute to increased demand for New Zealand's food exports, e.g. exports of dairy products to Central America.

Prices are likely to decline in the long-term

Oil prices are likely to remain high and could rise further in the near term as demand and supply are relatively unresponsive to changes in price in the short term. However, prices are likely to fall in the medium to long term as both consumers and producers respond to high prices over time.

Consumers become more efficient in their use of oil and turn to alternative energy sources, while businesses change their means of production. Oil producers increase supply, including from other sources (e.g. oil sands, bio-fuels), and alternative sources of energy (e.g. solar, wind) are developed. This delayed response can be seen after the 1970s oil price shocks: consumption declined, alternative energy sources were developed and prices fell by the mid-1980s.

Since prices have been increasing for about five years now, the demand and supply response is expected to occur in the next 5-10 years. For this reason, we expect prices to fall in the future, but the timing is uncertain. However, higher costs of production, chiefly as new sources of oil become more difficult to access, make it unlikely that prices will return to the levels of the early 2000s.

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

		2006Q4	2007Q1	2007Q2	2007Q3	2007Q4	2008Q1	2008Q2
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.6	1.3	0.8	0.5	0.8	-0.3	...
	ann ave % chg	1.6	1.6	2.1	2.7	3.1	3.0	...
Real private consumption	qtr % chg[1]	1.3	1.9	0.4	0.5	0.5	-0.4	...
	ann ave % chg	2.6	2.8	3.4	3.9	4.1	3.3	...
Real public consumption	qtr % chg[1]	0.8	0.7	0.9	1.8	0.2	1.1	...
	ann ave % chg	4.7	4.4	4.5	4.4	4.2	4.2	...
Real residential investment	qtr % chg[1]	1.2	0.7	3.0	1.7	-2.3	-5.5	...
	ann ave % chg	-3.2	-2.7	1.6	3.6	4.4	3.7	...
Real non-residential investment	qtr % chg[1]	0.7	3.2	-1.3	0.1	5.1	-1.2	...
	ann ave % chg	-0.9	-1.6	0.8	2.3	4.7	4.4	...
Export volumes	qtr % chg[1]	-2.7	3.1	-1.2	0.0	4.5	-1.8	...
	ann ave % chg	1.7	3.1	3.4	2.2	3.4	2.3	...
Import volumes	qtr % chg[1]	1.1	4.2	2.6	0.8	3.8	1.2	...
	ann ave % chg	-2.8	-1.7	1.7	5.4	8.8	9.7	...
Nominal GDP - expenditure basis	ann ave % chg	4.9	5.2	6.5	7.2	7.4	7.4	...
Real GDP per capita	ann ave % chg	0.4	0.4	0.9	1.5	2.0	1.9	...
Real Gross National Disposable Income	ann ave % chg	0.5	1.7	2.9	3.6	5.0	5.3	...
External Trade								
Current account balance (annual)	NZ$ millions	-14004	-13522	-13682	-14280	-13837	-13787	...
	% of GDP	-8.6	-8.2	-8.1	-8.3	-7.9	-7.8	...
Investment income balance (annual)	NZ$ millions	-12092	-11863	-11880	-12329	-12437	-13123	...
Merchandise terms of trade	qtr % chg	2.5	1.5	0.4	3.7	2.7	4.1	...
	ann % chg	3.8	4.5	2.3	8.4	8.5	11.3	...
Prices								
CPI inflation	qtr % chg	-0.2	0.5	1.0	0.5	1.2	0.7	...
	ann % chg	2.6	2.5	2.0	1.8	3.2	3.4	...
Tradable inflation	ann % chg	1.1	0.8	-0.5	-0.3	2.8	3.4	...
Non-tradable inflation	ann % chg	3.9	4.0	4.1	3.7	3.5	3.5	...
GDP deflator	ann % chg	2.9	3.1	4.2	3.9	5.6	5.8	...
Consumption deflator	ann % chg	2.7	2.0	1.5	1.2	2.0	2.5	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.0	1.4	0.5	-0.3	0.9	-1.3	...
	ann % chg[1]	1.4	1.8	1.5	1.6	2.5	-0.2	...
Unemployment rate	%[1]	3.8	3.7	3.6	3.5	3.4	3.6	...
Participation rate	%[1]	68.0	68.6	68.8	68.3	68.6	67.7	...
LCI salary & wage rates - total (adjusted)[6]	qtr % chg	0.9	0.6	0.6	1.0	1.0	0.8	...
	ann % chg	3.2	3.2	3.1	3.1	3.3	3.4	...
LCI salary & wage rates - total (unadjusted)[6]	qtr % chg	1.3	0.8	1.0	1.7	1.4	1.2	...
	ann % chg	4.9	4.5	4.6	4.8	5.0	5.4	...
QES average hourly earnings - total[6]	qtr % chg	0.8	1.0	0.8	1.3	1.0	1.5	...
	ann % chg	5.0	4.6	4.3	4.0	4.2	4.6	...
Labour productivity[7]	ann ave % chg	0.8	1.0	1.4	1.9	2.6	3.1	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	120	118	111	114	110	97	82
QSBO - general business situation[4]	net %	3.5	-15.3	-36.6	-27.3	-26.4	-64.1	...
QSBO - own activity outlook[4]	net %	15.0	16.1	8.8	15.4	13.9	-9.7	...

Monthly Indicators

		2007M12	2008M 1	2008M 2	2008M 3	2008M 4	2008M 5	2008M 6
External Sector								
Merchandise trade - exports	mth % chg[1]	5.6	-0.2	4.2	-18.7	14.1	-11.1	...
	ann % chg[1]	24.2	24.1	30.5	3.3	20.5	11.2	...
Merchandise trade - imports	mth % chg[1]	2.5	-3.0	6.3	-3.9	11.1	-2.8	...
	ann % chg[1]	11.3	2.4	15.9	7.2	21.6	17.1	...
Merchandise trade balance (12 month total)	NZ$ million	-5307	-4793	-4422	-4527	-4609	-4813	...
Visitor arrivals	number[1]	204550	206030	216780	215500	190070	207990	...
Visitor departures	number[1]	202840	208500	211010	211130	201760	203210	...
Housing								
Dwelling consents - residential	mth % chg[1]	-4.3	3.6	-5.7	-14.3	83.0	-42.3	...
	ann % chg[1]	-6.6	-5.3	-17.6	-27.3	30.8	-27.1	...
House sales - dwellings	mth % chg[1]	-7.8	-1.7	-1.2	-32.6	11.8	-14.5	...
	ann % chg[1]	-32.2	-31.4	-32.0	-53.5	-45.0	-53.1	...
REINZ - median dwelling price	mth % chg	-0.4	-0.6	-0.8	1.3	-1.1	0.3	...
	ann % chg	4.5	4.0	0.8	1.6	-1.1	-1.3	...
Private Consumption								
Core retail sales	mth % chg[1]	0.3	0.3	0.2	-0.4	-0.5	...	...
	ann % chg[1]	4.4	4.0	2.0	0.8	1.3	...	...
Total retail sales	mth % chg[1]	0.0	0.2	-0.6	-1.2	1.0	...	...
	ann % chg[1]	6.0	5.8	3.3	0.8	3.1	...	...
New car registrations	mth % chg[1]	-2.7	10.7	-8.8	-12.8	12.2	-15.2	...
	ann % chg	1.4	1.7	1.9	-13.2	-1.1	-20.6	...
Electronic card transactions - total retail	mth % chg[1]	0.1	0.3	0.0	-0.1	-0.1	1.2	...
	ann % chg	7.3	8.7	10.7	4.4	6.0	8.7	...
Migration								
Permanent & long-term arrivals	number[1]	6690	6700	7280	7220	7320	7890	...
Permanent & long-term departures	number[1]	6690	6610	7030	6690	6810	6880	...
Net PLT migration (12 month total)	number	5491	4799	4643	4678	4666	4931	...
Commodity Prices								
Brent oil price	US$/Barrel	91.52	92.09	94.72	103.16	110.03	123.86	132.76
WTI oil price	US$/Barrel	91.77	92.98	95.36	105.50	112.34	125.67	133.93
ANZ NZ commodity price index	mth % chg	-0.9	-1.8	-2.2	2.1	1.1	2.5	2.1
	ann % chg	19.0	15.9	11.4	12.0	13.4	13.2	12.5
ANZ world commodity price index	mth % chg	0.0	-1.4	1.1	2.0	-0.3	0.9	0.0
	ann % chg	30.9	27.4	26.9	26.9	20.7	18.7	11.6
Financial Markets								
NZD/USD	$[2]	0.7686	0.7718	0.7968	0.8027	0.7900	0.7769	0.7607
NZD/AUD	$[2]	0.8811	0.8758	0.8733	0.8669	0.8500	0.8188	0.7997
Trade weighted index (TWI)	June 1979 = 100[2]	71.58	71.24	72.96	71.58	70.31	69.32	68.11
Official cash rate (OCR)	%	8.25	8.25	8.25	8.25	8.25	8.25	8.25
90 day bank bill rate	%[2]	8.9	8.75	8.82	8.91	8.87	8.71	8.68
10 year govt bond rate	%[2]	6.4	6.28	6.4	6.36	6.48	6.43	6.42
Confidence Indicators/Surveys								
National Bank - business confidence	net %	-24.9	-31.5	-43.9	-57.9	-54.8	-49.7	-38.7
National Bank - activity outlook	net %	18.2	13.6	2.4	-6.4	-3.8	-4.4	-4.0
One News[5] - consumer confidence	net %	-10	-13	-16	-25	-34	-33	-25

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

1 Seasonally adjusted
2 Average (11am)
3 Westpac McDermott Miller
4 Quarterly Survey of Business Opinion
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