

May 2009

Executive Summary

- **New Zealand economy expected to remain in recession until late 2009**
- **A softening in the labour market over the past year forecast to continue**
- **Further signs of stabilisation in global markets**

The Treasury's *Budget* forecasts were released in May and show a much weaker outlook for the economy than previously forecast in December. With lower export and domestic demand, real GDP is expected to fall 0.9% in the March 2009 year and 1.7% the next year before staging a hesitant recovery. On a quarterly basis, real GDP is expected to fall in the first three quarters of this year, with growth resuming in late 2009. This profile is in line with the recent recovery in forward-looking indicators such as business confidence.

An important driver of the downturn in 2008 was a contraction in consumer spending and the latest retail figures suggest this continued in early 2009. The volume of retail sales fell 2.9% in the March quarter, more than double the previous largest fall recorded. Motor vehicle sales were the largest contributor to the fall, but there was also weakness in areas associated with housing and discretionary spending. Consumer spending is set to remain subdued due to factors such as falling house prices and rising unemployment.

The downturn in the economy has seen the labour market weaken over the past year. A fall of 1.1% in the number of workers in the March quarter was the largest since 1989 and led to a rise in the unemployment rate to a 6-year high of 5.0%. The rise in unemployment would have been larger if not for a fall in the labour force participation rate as some people were discouraged by the difficulty in finding work. Unemployment is forecast to rise further in the year ahead, even as economic growth resumes, as the labour market tends to lag the wider economy.

The deterioration of job prospects overseas has discouraged people from leaving New Zealand and encouraged more New Zealanders to return home, thereby lifting the net gain of permanent and long-term migrants. Net migration inflows have risen much more quickly in early 2009 than expected in the *Budget* forecasts. The resulting higher population growth poses upside risks to property and construction activity, which remain at low levels but have shown signs of recovery in recent months.

A weaker outlook for New Zealand's trading partners was the main factor behind the downward revisions to the *Budget* forecasts. For many of our trading partners, real GDP fell sharply in the March quarter and unemployment has continued to rise. However, global financial markets and forward-looking indicators of economic activity have stabilised in recent months and the average *Consensus* forecast for trading partner growth in May was unchanged for the first time since early 2008.

This month's special topic examines how this recession compares with previous recessions in New Zealand. It highlights the degree of uncertainty around how deep this recession could be and how quickly the economy could recover.

Treasury's Budget forecasts released in May

The Treasury's view on the economic outlook was released as part of the *Budget* on 28 May 2009. The *Budget* forecasts are for the New Zealand economy to continue contracting through to the September 2009 quarter, with growth resuming from the end of 2009. This is expected to result in an annual average decline in real GDP of 0.9% in the March 2009 year, followed by a further decline of 1.7% in the March 2010 year.

These declines reflect lower export and domestic demand, with the outlook for investment particularly affected by tight credit conditions and business uncertainty. The impact of the downturn on households will intensify with household spending declining as a result of rising unemployment and falling house prices. A gradual improvement in world growth prospects, combined with a low dollar and low interest rates, sees real GDP staging a hesitant recovery with growth of 1.8% in the March 2011 year, increasing to 2.9% and 4.0% in 2012 and 2013 respectively (*Table 1*).

Table 1 – Budget forecasts

March quarters	2009	2010	2011	2012	2013
Real production GDP (aapc)	-0.9	-1.7	1.8	2.9	4.0
Nominal GDP (aapc)	0.7	-2.7	3.7	4.5	5.7
Consumers price index (apc)	3.0	2.4	1.7	1.2	1.6
Unemployment rate (sa)	5.0	7.5	7.5	6.3	5.1

Source: Treasury

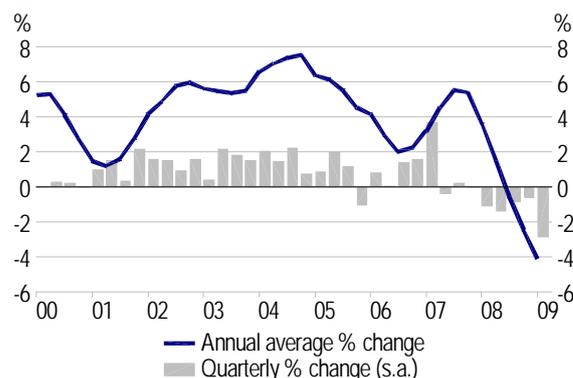
These forecasts were finalised on 18 April and there have been a number of data releases and developments since then. Most of these have been broadly consistent with our forecasts, but some have been more positive than expected and so pose some upside risks, as outlined below. However, global conditions mean the level of uncertainty associated with any forecast made in the current environment is significantly larger than normal. This month's special topic highlights this uncertainty as it examines how this recession compares with previous recessions in New Zealand and shows some of the possible paths for the economy in terms of how deep the recession could be and how long it could last.

Consumption looking weak in March...

The March 2009 quarter Retail Trade Survey printed a 2.9% decline in retail sales volumes, more than double the previous largest fall recorded since the current series began (*Figure*

1). For the sixth consecutive quarter, motor vehicle sales were the largest contributor to the fall. Core retail sales volumes, which exclude automotive-related sectors, fell 1.2% in the March quarter. The largest declines came from the sale of durable goods as shown by falling sales in appliance retailing (-5.9%), hardware retailing (-4.5%), department stores (-3.6%), and furniture and floor coverings (-3.5%). Given the soft housing market in March, consumers held back on the purchase of large items. Consumers also continued to cut back on discretionary spending with falling sales at bars and clubs (-5.6%), cafes and restaurants (-0.9%) and reduced spending on accommodation (-3.9%). These retail trade data suggest that consumer spending will subtract from March quarter GDP, in line with our *Budget* forecasts.

Figure 1 – Retail sales volumes



Source: Statistics NZ

The total value of Electronic Card Transactions (ECT) at retail outlets rose 0.3% in April and core retail rose 0.5%. These early indications from ECT, together with continued falls in motor vehicle registrations, point to flat, or slightly negative, consumer spending in the June quarter, despite the personal income tax cuts on 1 April 2009.

The retail sales deflator, which measures price changes, rose an unexpected 1.5% from the December 2008 quarter as a lower exchange rate led to increases in the price of motor vehicles. Price increases meant that, despite the large fall in volumes, the nominal level of total retail sales fell 1.5% and core retail sales actually grew 0.3%.

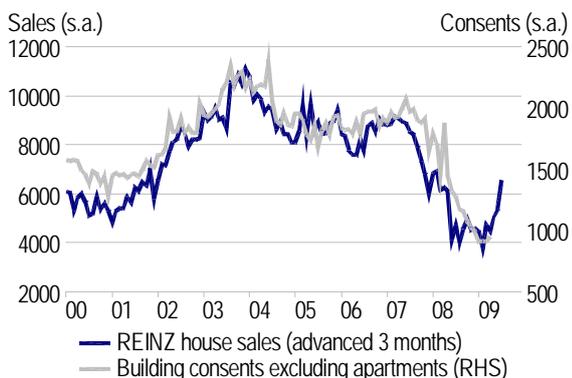
...and there has been a recovery in housing...

Following a fall of 19% in calendar year 2008, the *Budget* forecasts incorporate further declines in residential investment volumes in the first three quarters of 2009 as falling house prices and rising

unemployment constrain the demand for new housing. Although we do not believe there will be a strong and sustained turnaround in the housing market, data released over the past two months point to upside risks to property and construction activity in the latter part of this year.

According to the Real Estate Institute of New Zealand (REINZ), house sales in April were up 39.6% from April 2008 (*Figure 2*). The timing of Easter this year means these monthly numbers should be treated with caution, but sales for March and April combined were still up 34.5% from a year ago. Also, the REINZ median house sale price in March and April 2009 was down only 2.7% from a year earlier. However, the quality-adjusted Quotable Value house price index was 9.2% lower in the three months to April compared to the same period a year earlier. Confidence indicators, such as the ASB Survey of Housing Confidence, suggest that house prices will fall further. A net 45% of respondents to the survey expect a fall in house prices in the coming year. The *Budget* forecasts incorporate a further 8% fall in house prices in the year to March 2010.

Figure 2 – House sales and building consents



Sources: REINZ, Statistics NZ

...and building activity from low levels...

Building consents for new dwellings increased 11.2% in April from the previous month. Several large apartment projects contributed to the increase but, when apartments are excluded, the increase was still 4.5% (*Figure 2*). A levelling-off of the downward trend could be explained by potential home-builders who previously were unable to find a suitable builder for their project having more success. Lower mortgage rates may also be having an impact.

...partly reflecting higher net migration gains

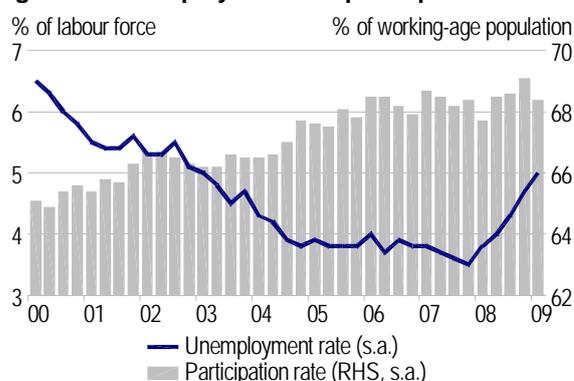
Seasonally adjusted permanent and long-term (PLT) arrivals outnumbered departures by 2,200 in April, taking annual net migration to 9,200. The

main reason for rising net PLT migration has been a fall in the number of departures as New Zealand citizens have been discouraged by weaker job prospects overseas. Australia accounts for much of the recent fall in departures, although there were also fewer departures to other traditional destinations such as the United Kingdom. More New Zealanders returning home have also helped boost net PLT migration due to the deteriorating global environment, and because a large number of New Zealanders have left in recent years. Annual net migration is on track to record a much larger figure than our *Budget* forecast, and supports the upside risk to our outlook for property and construction activity.

Labour market data weak as expected...

The Household Labour Force Survey confirmed a weakening in the labour market in the first quarter of 2009, as shown by a 1.1% fall in employment – the largest quarterly fall in the number of workers since the March 1989 quarter. As a result, the unemployment rate rose by 0.3 percentage points to a 6-year high of 5.0%, matching our *Budget* forecast. This rise in unemployment would have been larger if not for a fall in the rate of labour force participation from a record high of 69.1% to 68.4% in the March quarter (*Figure 3*).

Figure 3 – Unemployment and participation



Source: Statistics NZ

The number of people employed decreased by 24,000 in the March quarter largely due to a decline of 16,000 people in part-time employment. The number of people actively involved in the labour market fell by 17,000 in the quarter, possibly as some people were discouraged by the difficulty in finding work and left the labour market, which caused the participation rate to fall. The number of people unemployed increased 7,000 (6.8%) to 115,000 in the March quarter. On an annual basis, the number of people unemployed increased by approximately 30,000, with almost half of the increase coming from younger age

groups. Those unemployed within the 15-19 and 20-24 cohorts increased 6,400 and 8,300 respectively. The *Budget* forecasts were for employment to contract by around 1% per quarter this year and the unemployment rate to rise towards 7% by December 2009.

...leading to lower wage pressures

Consistent with falling demand for labour, annual wage growth measured by the Labour Cost Index (LCI) eased to 3.3% in the year to March from 3.5% in December and 4.0% in September 2008. The LCI, which holds the quantity and quality of labour fixed, is viewed as a reliable measure of wage pressures in the economy. The more-volatile average hourly earnings, contained in the March Quarterly Employment Survey, showed relatively robust wage growth with a 5.3% rise compared to March 2008. This was higher than growth of 4.2% in the *Budget* forecasts, but may reflect compositional changes in the workforce as lower-paid jobs had the largest declines.

Inflation pressures ease...

The Producers Price Index (PPI) recorded falls for both firms' input (-2.5%) and output (-1.4%) prices in the March quarter, which were the largest quarterly declines recorded since the PPI began in 1977. The largest contributors to the fall in firms' non-labour input costs were related to lower fuel prices, while the fall in producers' output prices was mainly due to falls in commodity prices for some of New Zealand's exports, including a 24.3% fall in dairy product manufacturing prices.

Lower commodity prices can also be seen in food prices, which fell 0.6% in April. Fruit and vegetable prices (down 2.0%) were the largest contributor to the decrease in prices and reflect recent favourable growing conditions – in particular, kiwifruit prices declined 54.8%. Prices in the grocery food group fell 0.4% as sharp falls in commodity prices in recent months flowed through to lower shelf prices. For instance, milk and cheese prices fell 1.5% and 3.5% respectively. On an annual basis, food prices rose 7.6%. The high annual food price inflation highlights past pressures, with the vast majority of food price rises occurring between May and August 2008.

Given these easing cost pressures and lower demand, inflation expectations have also eased. In the May National Bank Business Outlook (NBBO), the expected inflation rate in a year's time decreased to 2.7% in May from 3.4% a year earlier. The Reserve Bank of New Zealand's

measure of inflation expectations also fell, with average 1-year and 2-year-ahead inflation expectations falling from 2.2% to 1.8% and 2.3% to 2.2% respectively. Similarly, the *Budget* forecasts were for annual Consumers Price Index (CPI) inflation to fall from 3.0% in the March 2009 quarter to 2.4% in the March 2010 quarter and 1.7% a year later.

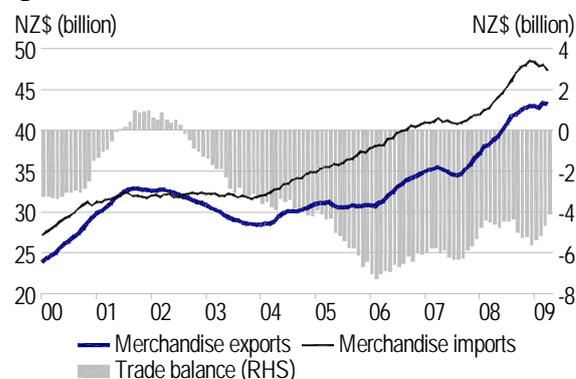
...due partly to lower commodity prices

The ANZ Commodity Price Index had fallen by 34% in world prices between July 2008 and February 2009 and by 9% in New Zealand dollar terms over the same period, driven by a fall in prices for dairy products. However, world prices for our key commodities have recovered slightly with increases of 1.0%, 2.6% and 2.7% in the last three months respectively.

Merchandise trade deficit contracts further...

A \$276 million merchandise trade surplus (or 7.5% of exports) was recorded in April and reduced the annual trade deficit to \$4.1 billion, compared with the recent high of \$5.6 billion in December 2008 (*Figure 4*). Both merchandise exports and imports fell compared to April 2008, but a much larger decline of \$745 million (18.1%) was recorded for imports. Excluding large one-off purchases of capital expenditure items, such as an oil platform, imports were still down by \$267 million over the same period. Imports of intermediate goods declined \$177 million, and excluding large items, capital goods imports fell \$114 million. Higher prices for capital goods, as a result of the New Zealand dollar weakening in late 2008 and early 2009, point to a fall in import volumes and provide further evidence of firms reducing investment.

Figure 4 – Merchandise trade



Source: Statistics NZ

The value of merchandise exports fell \$176 million in April 2009 compared to the same month a year earlier. A drop in the value of crude oil exports of

\$204 million was the largest contributor to falling exports followed by a \$65 million fall in aluminium exports. Aside from these declines, exports have generally held up well in the global downturn so far given they are biased towards necessities (ie, food) and/or have continued to benefit from the relative strength of the Australian economy.

...but tourism remains weak

Short-term visitor arrivals increased 2.4% between March and April, and were 1.3% higher than a year earlier. The increase was largely due to Easter timing effects. A more insightful comparison showed that visitor arrivals declined 1% in March and April 2009 compared to the same two months a year earlier. Services exports, such as tourism, are likely to continue their recent downward trend given the subdued outlook for New Zealand's trading partners.

Global financial markets stabilise...

International data relating to actual economic activity remained weak, with first quarter GDP results showing large quarterly declines for the US (-1.6%), the United Kingdom (-1.9%), Japan (-4.0%) and the euro area (-2.5%). Exceptions have been Australia, with GDP growth of 0.4% in the March quarter, and South Korea, with a small rise of 0.1%, although this followed a fall of 5.1% in the previous quarter. Rates of unemployment have also continued to rise, up to 8.9% in the US, 7.1% in the United Kingdom, 4.8% in Japan, and 9.2% in the euro area. Australia was again an exception with a fall from 5.7% in March to 5.4% in April partly reflecting data volatility.

Forward-looking data pointed to a stabilisation of output later in 2009 and markets generally reflected this positive sentiment, despite the weak GDP data. As a result, the outlook for trading partner growth has stabilised for the first time since early 2008. May *Consensus* forecasts were unchanged from April at -2.2% in 2009 and 2.0% in 2010, compared to an assumption of -2.5% in 2009 and 1.0% in 2010 in the *Budget* forecasts. It is too early to conclude that these recent developments will result in an upswing in growth greater than in our main forecasts.

By early June, increasingly positive sentiment in global markets contributed to a depreciation in the US dollar (seen as a "safe haven" currency) to its lowest level since December 2008. The New Zealand dollar thus rose over \$US0.65 in early June, although was also pushed up by factors such as positive ratings announcements following the *Budget* (particularly Standard & Poor's

maintaining its 'AA+' foreign currency credit rating and revising the outlook from negative to stable).

Central banks generally held official interest rates at historical lows in May and early June. The US Federal Reserve held their rate at 0%-0.25%, the Bank of England at 0.5%, the European Central Bank at 1.0%, and the Reserve Bank of Australia at 3.0%. The Reserve Bank of New Zealand lowered the Official Cash Rate (OCR) at its last meeting on 30 April from 3.0% to 2.5% and its next OCR decision is on 11 June. Despite official rates being on hold, longer-term interest rates have risen since the last OCR decision because of greater confidence in the economic outlook and concerns about rising international inflation.

...and local business confidence rises

Mirroring trends seen overseas, New Zealand's business sentiment rose in May. In the NBBO, a net 2% of firms expect general business conditions to improve in the coming year, the highest level since 2002 and up 16 percentage points from April. Similarly, firms' own activity outlook turned positive in April, with a net 4% expecting a rise in their activity in the year ahead. This recovery supports our view that GDP will return to growth later in 2009 on a quarterly basis, although more confidence readings are needed to confirm this turnaround as the NBBO can be volatile from survey to survey. The NBBO also showed that the labour market is likely to weaken further, even if output growth resumes, with a net 16% of firms still expecting to lower employment over the next year.

Exports bucked the trend, with a net 6% of firms planning to increase exports compared to 10% in April, which is consistent with a stronger dollar in May. Although it partly reflects expectations of a stronger global economy, the recent rise in the exchange rate could put at risk the export-led recovery in the *Budget* forecasts. As an example, Fonterra announced a lower dairy payout of \$4.55/kg of milk solids, down from this year's \$5.20, and cited the stronger exchange rate and export subsidies in the US as factors influencing their forecast. However, the exchange rate could fall if the current surge of optimism in the outlook for the world economy turns out to be misplaced as there is still a long road to full recovery.

Future releases

Important data due in the coming month include March 2009 quarter Balance of Payments on 25 June and GDP on 26 June and the next NBBO on 30 June.

Special Topic: Recessions and recoveries

This Special Topic illustrates some of the similarities and differences between the current and past recessions.

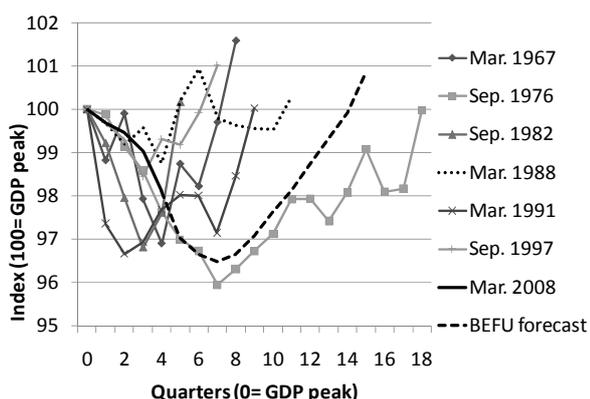
The current recession in historical context

The global economy is experiencing what looks likely to be the deepest downturn in the post-World War II period. While many aspects of the current crisis are new and unanticipated, particularly the financial aspects of the crisis, neither global downturns nor financial crises are new.

In addition to the current cycle, a significant number of advanced economies were in recession in 1975, 1980, 1982 and 1992. New Zealand has also experienced financial crises - the collapse in asset prices in 1987 severely impaired the health of the banking system and increased the economy's vulnerability to the negative shocks that precipitated the 1991 recession. Therefore history can be a useful guide to understanding the present.

To put the current episode into historical perspective we look at the nature of recessions in the post-1955 period. Figure 5 shows that only the recession that began in 1976 is likely to have lasted longer and to have had a more drawn out recovery than the current recession.¹

Figure 5 – GDP during recession and recovery



Sources: Hall and McDermott, Statistics NZ, Treasury

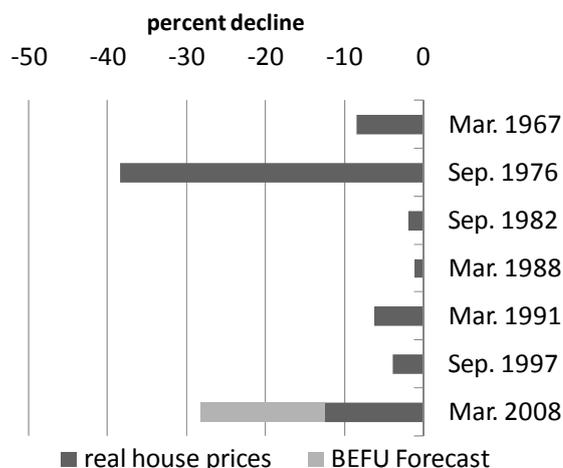
Despite its length, the current recession is not expected to be significantly deeper than those beginning in 1967, 1982 or 1991. However, when measured on a per person basis, the current downturn would be deeper than on any previous

¹ Quarterly data from Hall, Viv and John McDermott, "A Quarterly Post-World War II Real GDP Series for New Zealand," *Motu Working Paper 07-13*.

occasion, including 1976. This reflects the impact of net migration flows, which tend to be pro-cyclical – net inflows occur when the economy is doing well and net outflows occur when it is doing poorly. Annual net migration turned negative in 1976 and outflows reached over 43,000 in 1979, causing the country's total population to decline slightly. In contrast, while net migration inflows slowed over 2008 they remained positive and have picked up over 2009, rising to 9,200 in the year to April.

Another feature of the current cycle is the substantial fall in real house prices (Figure 6). Real house prices peaked in the June quarter 2007, but by the end of 2008 had fallen around 12%. The Treasury's 2009 *Budget Economic and Fiscal Update* forecasts real house prices to fall 28% over a total of 18 quarters – i.e. until late 2011. Even if house prices do not fall as much as expected, the decline to date is still larger than in all recessions except 1976 when real house prices fell 38% over 26 quarters.

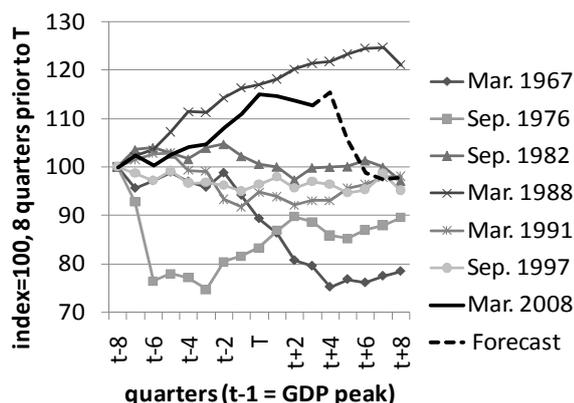
Figure 6 – Real house prices



Source: Treasury

International events are a common trigger for NZ recessions and commodity price movements are one of the ways these events impact. Figure 7 shows that the 2008 recession is associated with an expected 20% decline in the terms of trade. This occurs towards the end of the downturn so its main effect is to moderate the pace of recovery. The 1976 recession was initiated by a 45% fall in the terms of trade between 1973 and 1975, which followed a similar sized rise in the preceding two years, and while they subsequently regained some of their lost ground, the economic impacts continued to be felt for some time.

Figure 7 – Terms of Trade

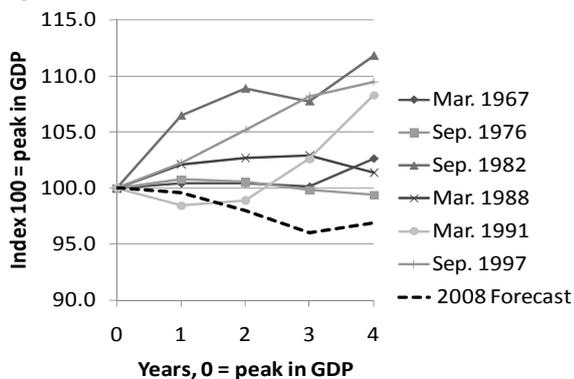


Sources: Statistics NZ, Treasury

The 1967 recession was also associated with a large fall in the terms of trade. But the world was not in a recession at this time and, assisted by a 20% devaluation of the exchange rate, output returned rapidly to its pre-recession level.

Declines in housing wealth and the terms of trade have rarely been sufficient to cause consumption to fall. Figure 8 shows that only the 1991 recession was associated with falling consumption. This reflects the financial aspects of the recession.

Figure 8 – Real private consumption



Sources: Statistics NZ, Treasury

As noted earlier, the 1991 recession was preceded by a collapse in asset prices that wiped out huge amounts of wealth, weakened bank balance sheets and constrained access to credit. The current financial crisis has not affected the quality of Australasian banking sector assets to the same extent, but its exposure to household and corporate sector debt is now much greater. Aggregate household debt rose to around 160% of disposable income in 2008 from 60% in 1991, and with falling house prices and stricter borrowing criteria, the scope to finance consumption with additional debt has been markedly reduced.

IMF research (WEO April '09) finds that fiscal expansions can be successful in reducing the severity of recessions associated with financial crises and in promoting recovery, particularly where debt levels are low. That is, concerns about debt sustainability may detract from the effectiveness of fiscal policy during recoveries.

At the start of the 2008 recession gross public debt stood at around 17% of GDP, about a third of what it was in 1976. In the other recessions, 1997 excepted, debt was typically around 60% of GDP – at this level the IMF finds fiscal stimulus can have negative impacts on growth.

Finally, the economy has undergone significant structural changes - labour markets and product markets are considerably more flexible - that will help promote a more durable recovery than in the past. An independent monetary policy and a floating exchange rate also help to limit some of the negative effects on the economy, and promote a sustainable recovery. Nonetheless, history shows that the road to recovery is unlikely to be as smooth as portrayed in our forecasts. Economic conditions remain volatile and uncertain, debt remains high in many advanced economies and households are vulnerable to further unexpected falls in wealth and income.

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

		2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg ¹	0.6	0.9	-0.3	-0.2	-0.5	-0.9	...
	ann ave % chg	2.8	3.2	3.1	2.5	1.7	0.2	...
Real private consumption	qtr % chg ¹	0.6	0.5	-0.5	-0.2	-0.1	0.0	...
	ann ave % chg	3.9	4.0	3.2	2.3	1.2	0.1	...
Real public consumption	qtr % chg ¹	1.8	0.2	1.5	0.4	0.7	1.7	...
	ann ave % chg	3.9	3.9	4.3	4.3	3.9	4.0	...
Real residential investment	qtr % chg ¹	0.1	-1.8	-5.1	-8.0	-8.1	-14.0	...
	ann ave % chg	4.2	5.1	4.3	-2.0	-9.7	-18.6	...
Real non-residential investment	qtr % chg ¹	0.8	3.3	-0.2	4.4	-8.1	-1.8	...
	ann ave % chg	3.2	4.9	4.2	4.5	3.3	0.3	...
Export volumes	qtr % chg ¹	0.2	4.6	-2.3	-0.3	-3.1	-3.3	...
	ann ave % chg	2.4	3.8	2.9	2.7	2.3	-1.7	...
Import volumes	qtr % chg ¹	1.0	4.2	0.9	3.3	-6.7	-6.1	...
	ann ave % chg	5.3	8.6	9.6	9.7	7.7	2.2	...
Nominal GDP - expenditure basis	ann ave % chg	7.0	7.3	7.4	6.0	4.6	2.6	...
Real GDP per capita	ann ave % chg	1.7	2.1	2.1	1.5	0.7	-0.7	...
Real Gross National Disposable Income	ann ave % chg	3.3	4.7	5.1	4.7	4.5	1.9	...
External Trade								
Current account balance (annual)	NZ\$ millions	-14892	-14372	-14211	-14982	-15528	-16073	...
	% of GDP	-8.7	-8.2	-8.0	-8.4	-8.6	-8.9	...
Investment income balance (annual)	NZ\$ millions	-12796	-12837	-13388	-13861	-13672	-13582	...
Merchandise terms of trade	qtr % chg	3.7	2.9	4.2	-0.4	-1	-0.9	...
	ann % chg	8.4	8.8	11.6	10.7	5.8	1.8	...
Prices								
CPI inflation	qtr % chg	0.5	1.2	0.7	1.6	1.5	-0.5	0.3
	ann % chg	1.8	3.2	3.4	4.0	5.1	3.4	3.0
Tradable inflation	ann % chg	-0.3	2.8	3.4	4.8	6.3	2.3	1.7
Non-tradable inflation	ann % chg	3.7	3.5	3.5	3.4	4.1	4.3	3.8
GDP deflator	ann % chg	3.2	5.9	6.2	3.7	2.3	2.6	...
Consumption deflator	ann % chg	1.2	2.0	2.5	3.2	4.0	3.7	...
Labour Market								
Employment (HLFS)	qtr % chg ¹	-0.1	0.7	-1.0	1.2	0.2	0.6	-1.1
	ann % chg ¹	1.5	2.3	-0.2	0.8	1.1	0.9	0.8
Unemployment rate	% ¹	3.6	3.5	3.8	4.0	4.3	4.7	5.0
Participation rate	% ¹	68.2	68.4	67.7	68.5	68.6	69.1	68.4
LCI salary & wage rates - total (adjusted) ⁶	qtr % chg	0.9	1.0	0.8	0.8	1.2	0.7	0.6
	ann % chg	3.1	3.2	3.4	3.6	3.9	3.6	3.4
LCI salary & wage rates - total (unadjusted) ⁶	qtr % chg	1.5	1.4	1.2	1.2	1.7	1.4	0.8
	ann % chg	4.6	4.9	5.3	5.4	5.6	5.6	5.2
QES average hourly earnings - total ⁶	qtr % chg	1.3	1.0	1.5	1.4	1.5	0.9	1.4
	ann % chg	4.0	4.2	4.6	5.3	5.5	5.4	5.3
Labour productivity ⁷	ann ave % chg	1.8	2.5	3.1	2.5	1.6	0.6	...
Confidence Indicators/Surveys								
WMM - consumer confidence ³	Index	114	110	97	82	105	101	96
QSBO - general business situation ⁴	net %	-27.3	-26.4	-64.1	-63.7	-19.3	-64.4	-64.6
QSBO - own activity outlook ⁴	net %	15.4	13.9	-9.7	-22.9	-8.3	-40.9	-38.7

Monthly Indicators

		2008M11	2008M12	2009M 1	2009M 2	2009M 3	2009M 4	2009M 5
External Sector								
Merchandise trade - exports	mth % chg ¹	-2.8	-1.0	-0.8	-3.2	0.1	-4.3	...
	ann % chg ¹	9.5	3.7	2.7	-6.6	18.2	-4.4	...
Merchandise trade - imports	mth % chg ¹	-6.1	7.5	-15.6	-6.2	14.6	-10.8	...
	ann % chg ¹	7.3	14.9	-3.4	-14.1	4.4	-18.3	...
Merchandise trade balance (12 month total)	NZ\$ million	-5234	-5614	-5405	-5166	-4676	-4108	...
Visitor arrivals	number ¹	197150	209900	195360	200920	200510	205410	...
Visitor departures	number ¹	200810	202790	202800	199740	200380	202040	...
Housing								
Dwelling consents - residential	mth % chg ¹	4.2	-7.2	-12.6	12.0	-1.7	11.2	...
	ann % chg ¹	-39.5	-41.6	-51.3	-40.1	-34.5	-56.6	...
House sales - dwellings	mth % chg ¹	-15.2	24.9	-5.2	13.2	6.3	22.4	...
	ann % chg ¹	-45.4	-23.5	-28.7	-17.4	30.2	39.7	...
REINZ - median dwelling price	mth % chg	-0.1	-0.8	0.3	0.9	-0.6	1.1	...
	ann % chg	-4.1	-4.8	-4.3	-2.1	-4.0	-1.5	...
Private Consumption								
Core retail sales	mth % chg ¹	0.0	-0.5	0.2	-0.1	0.5	...	...
	ann % chg ¹	2.3	1.1	1.4	1.2	2.3	...	...
Total retail sales	mth % chg ¹	-0.1	-0.6	-1.2	0.3	-0.4	...	...
	ann % chg ¹	-1.7	-2.8	-4.0	-3.0	-2.1	...	...
New car registrations	mth % chg ¹	-19.9	12.7	-13.6	-15.3	7.4	-3.0	-2.8
	ann % chg	-34.4	-23.7	-36.5	-44.6	-32.9	-41.0	-33.3
Electronic card transactions - total retail	mth % chg ¹	-2.5	-0.5	-0.3	0.5	0.4	0.3	...
	ann % chg	0.2	0.1	1.2	-3.5	-0.3	1.2	...
Migration								
Permanent & long-term arrivals	number ¹	7050	7030	7410	7550	7490	7530	...
Permanent & long-term departures	number ¹	7340	6710	6590	5930	5760	5370	...
Net PLT migration (12 month total)	number	3569	3814	4538	6160	7482	9176	...
Commodity Prices								
Brent oil price	US\$/Barrel	52.71	40.51	43.17	42.91	46.58	50.52	57.5
WTI oil price	US\$/Barrel	56.97	40.64	41.63	39.08	47.98	49.91	59.3
ANZ NZ commodity price index	mth % chg	-1.5	-6.1	-4.3	1.9	-3.4	-2.7	-1.5
	ann % chg	5.4	-0.1	-2.6	1.5	-4.0	-7.6	-11.2
ANZ world commodity price index	mth % chg	-7.4	-7.4	-4.3	-4.6	1.0	2.6	2.7
	ann % chg	-18.3	-24.3	-26.5	-30.7	-31.4	-29.4	-28.1
Financial Markets								
NZD/USD	\$ ²	0.5651	0.5569	0.5526	0.5151	0.5308	0.5709	0.5989
NZD/AUD	\$ ²	0.8600	0.8320	0.8154	0.7938	0.7979	0.8006	0.7855
Trade weighted index (TWI)	June 1979 = 100 ²	57.41	55.11	54.86	52.31	53.84	56.87	57.95
Official cash rate (OCR)	%	6.50	5.00	3.50	3.50	3.00	2.50	2.50
90 day bank bill rate	% ²	6.25	5.23	4.38	3.4	3.24	3.12	2.82
10 year govt bond rate	% ²	5.73	4.88	4.49	4.53	4.77	5.24	5.59
Confidence Indicators/Surveys								
National Bank - business confidence	net %	-43.0	-35.0	-36.1	-41.2	-39.3	-14.5	1.9
National Bank - activity outlook	net %	-14.1	-21.5	-21.8	-20.1	-21.2	-3.8	3.8
One News ⁵ - consumer confidence	net %	5	0.3	-4.3	-9	3	...	...
qtr % chg	quarterly percent change			1		Seasonally adjusted		
mth % chg	monthly percent change			2		Average (11am)		
ann % chg	annual percent change			3		Westpac McDermott Miller		
ann ave % chg	annual average percent change			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