Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

January 2010

Executive Summary

- **Economy continued to recover gradually in September 2009 quarter from a long and deep recession, broadly in line with the *Half Year Update***
- **The impact of the recession can still be seen in lower inflation and a narrowing of the current account deficit, but imbalances remain**
- **Economic growth expected to strengthen further in the year ahead, as reflected in higher confidence among businesses and consumers**

Data released over December and January showed the New Zealand economy is continuing to recover from a long and deep recession. This recovery has been subdued so far, with growth in real GDP of 0.2% in both the June and September quarters of 2009 still lower than population growth. The recovery has also been concentrated in just a few industries. A large rise in output in the primary sector during the September 2009 quarter, particularly mining, made up for falls in the key industries of manufacturing, construction and retail trade.

The lingering impact of the recession can be seen in lower inflation and a large narrowing in the current account deficit. Non-tradables inflation and core measures of inflation were subdued in the December 2009 quarter, while a large fall in imports and a smaller outflow of investment income narrowed the current account deficit to 3.1% of GDP in the year to September 2009 from 8.4% a year earlier. However, this fall is expected to be temporary and continued large net external liabilities make New Zealand vulnerable to any future financial crisis.

The outlook is for economic growth to gradually strengthen over the course of 2010. Business confidence has risen to its highest level in over a decade and indicators of employment and investment have become less negative or entered positive territory for the first time since the recession began. These indicators suggest the unemployment rate will rise further but will likely peak in early 2010. With the economy recovering and the labour market beginning to stabilise, consumer confidence has also lifted strongly.

The merchandise terms of trade (ratio of goods export prices to goods import prices) fell sharply over the year to September 2009 due to previous falls in commodity prices associated with the global downturn. With the ANZ Commodity Price Index showing world prices for New Zealand's key commodities rising by 42% since their recent low point in February 2009, the terms of trade is expected to follow this upward trend from the December 2009 quarter.

Risks to this outlook are fairly evenly balanced. A more typical recovery could see stronger growth eventuate, particularly in the short term. However, the unwinding of monetary and fiscal stimulus could result in renewed weakness, both here and abroad, and the start of 2010 has been negative for global financial markets. In New Zealand, a recent downward revision to the rate of economic growth achieved in the last business cycle could have implications for how fast the economy is able to grow once the recovery is secure.

New Zealand Government

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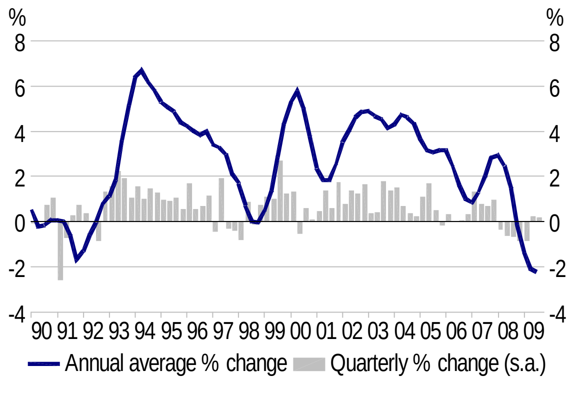
Analysis

Data released in December 2009 and January 2010 were broadly in line with the economic forecasts in the Treasury's *Half Year Update*, which were finalised on 6 November and released on 15 December. In the *Half Year Update*, we expected the economic recovery to gradually strengthen in the December quarter and over 2010. Recent data have generally supported this outlook, with some releases slightly weaker and others slightly stronger than expected.

Gradual recovery from recession continues...

The economy continued to recover from a long and deep recession with a 0.2% increase in real production GDP in the September 2009 quarter (*Figure 1*). The figure matched the increase of 0.2% in the June 2009 quarter but was weaker than the increase of 0.4% that we had expected. Nevertheless, a small upward revision to the June quarter figure resulted in growth over the middle two quarters of 2009 being close to our *Half Year Update* forecast. These two quarters of growth follow five quarters of contraction that started in early 2008 because of drought, high fuel and food prices and tight monetary policy, and worsened in late 2008 during the global financial crisis.

Figure 1 – Real GDP



Source: Statistics NZ

The recovery has so far been subdued. Despite a return of growth on a quarterly basis, the economy was 2.2% smaller in the year to September 2009 than in the previous year, which was the largest annual average contraction since 1978.[1] On a per capita basis, real GDP contracted slightly in the September 2009 quarter as the change in output failed to match population growth for the seventh consecutive quarter.

[1] This comparison uses unofficial estimates from Hall and McDermott (2007) as official data begin in 1987.

...but is patchy across industries...

As well as being subdued, the recovery has been concentrated in a few sectors. The primary sector continued to lead the economy out of recession as its output rose by 3.9% in the September 2009 quarter. Mining grew particularly strongly due to higher output from the Maari oil field and more exploration, but higher output was also recorded in agriculture, forestry and fishing.

By contrast, output in goods-producing industries declined by 2.5% in the September quarter as a result of a 1.9% fall in manufacturing and a 4.4% decline in construction. These industries have weakened significantly in this recession, with output in construction and manufacturing down 19% and 15% respectively from their December 2007 peaks. For manufacturing, the level of output has fallen to its lowest level since 1999, or 1992 if primary food processing is excluded.

Output also fell in half of the ten main service industries in the September quarter, including retail trade, accommodation, restaurants & cafes, and both central and local government administration. However, output in the service sector as a whole rose 0.4% in the quarter led by real estate & business services. Personal & community services also grew, with greater use of health services as a result of H1N1 influenza. However, H1N1 influenza is likely to have had a small negative influence on the economy overall, despite its impact not being directly measurable.

...as consumer spending rose but investment fell and exports were flat

Real expenditure GDP also rose by 0.2% in the September quarter, driven by growth in private consumption of 0.7%. Private consumption was lifted by expenditure on durable goods such as furniture, appliances and vehicles, which was supported by discounting, stronger consumer confidence and higher housing turnover. Expenditure on services, especially domestic and overseas travel, also increased. Offsetting these increases was a fall for non-durable goods, which may have partly reflected high food prices.

The lagged impact of recession could be seen in lower investment. Residential investment fell 5.0% in the September quarter, its ninth decline in a row, and business investment also fell, down 0.9%. Lower business investment was driven by a large fall in investment in plant & machinery and other construction (mainly infrastructure), partly offset by a substantial increase in intangibles investment (mainly mineral exploration).

Export volumes were flat in the September quarter. Service exports rose on the back of a rebound in tourist arrivals, which was driven by more visitors from Australia, while goods exports fell, led by a fall in meat products. Import volumes were up 0.7% in the quarter, the first rise since mid-2008. Imports of consumption goods and vehicles rose, consistent with growth in private consumption, and services imports rose strongly as the high exchange rate encouraged greater spending by New Zealanders overseas. These increases were partially offset by a large drop in capital imports, consistent with weak investment, and a fall in intermediate imports, in line with the fall in manufacturing.

There was a further rundown in stocks in the September quarter as manufacturers exported out of stocks and oil importers reduced their overseas holdings. However, this rundown was not as large as in the previous quarter so made a positive contribution to growth. The continuing rundown in stocks not only points to a “statistical” recovery when stocks are rebuilt, but implies that increased demand will lead to increased production levels and so higher growth.

Revisions to GDP larger than usual

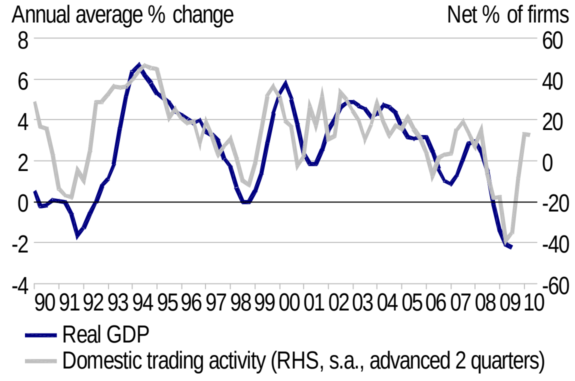
Relative to the *Half Year Update*, nominal GDP was $1.1 billion (2.5%) higher in the September quarter, partly due to higher-than-forecast growth in nominal GDP but largely due to revisions to nominal GDP. The revision has no implications for tax revenue as it pertains to an earlier period, but could have some impact on how we see the economy as data revisions also affected growth rates. In the near term, the revisions increased the depth of the 5-quarter recession from 2.9% to 3.3% of real GDP, with all of this change coming prior to the escalation of the global financial crisis in the December 2008 quarter. Longer term, they lowered growth rates in the mid-2000s quite substantially. In particular, growth in real GDP of 2.3% in the June 2007 year was revised down to 1.3%. With little offsetting upward revisions, average growth in the decade to June 2009 fell from 3.0% to 2.8% per annum. Such a revision implicitly lowers our estimate of how fast the economy was able to grow in the most recent business cycle without generating inflation (ie, potential growth). It may also have implications for forecasts of potential growth as it suggests that a more realistic assumption for the rate of labour productivity growth may be lower than previously thought.

Higher business confidence points to further recovery...

The latest *Quarterly Survey of Business Opinion* (QSBO) supports the positive economic outlook. A net proportion of firms still reported a fall in domestic trading activity over the past 3 months but, at a net 9%, the December quarter result was the strongest in almost 2 years and in line with further, albeit modest, growth. Also indicative of the strengthening economy, and recent weakness in business investment, was a rise in capacity utilisation to 91.1%, the highest since mid-2008.

Forward-looking indicators in the QSBO point to further recovery in 2010. A net 23% of firms expected the general business situation to get stronger in the next 6 months – a 10-year high for the series. Firms’ activity expectations were unchanged from the previous survey, with a net 13% of firms expecting trading activity to rise in the next 3 months, pointing to a positive start to 2010 for the New Zealand economy (*Figure 2*).

Figure 2– Real GDP and Business Opinion



Source: NZIER, Statistics NZ

…and unemployment expected to peak soon...

The subdued nature of the recovery to date has meant investment and employment indicators in the QSBO remain soft. In terms of investment, a net 2% of firms still reported plans to decrease investment in plant and machinery over the next 12 months, although this was the least negative reading since mid-2007. For employment, a net 18% of firms reduced staff in the December 2009 quarter, which is consistent with a further rise in the unemployment rate from the current 6.5%. However, employment intentions in the latest QSBO turned positive for the first time since late 2007, with a net 1% of firms expecting to increase staff numbers in the next 3 months. This reading suggests unemployment will peak in early 2010, as expected in the *Half Year Update*.

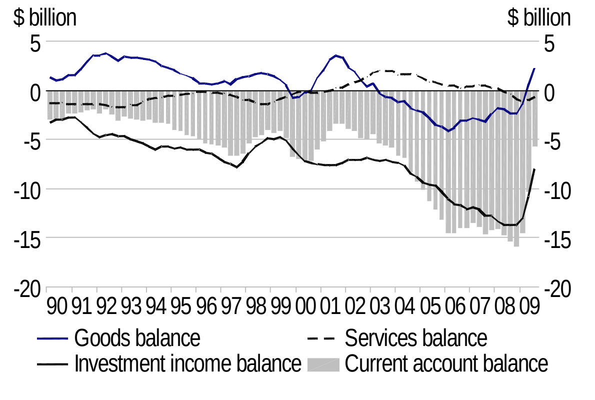
...with consumer confidence also stronger

With the economy recovering and labour market conditions stabilising, consumer confidence has lifted strongly. The ANZ Roy Morgan series rose to a 3-year high of just above 131 in January 2010 as expectations of current and future conditions both rose sharply. Retail trade data for November and electronic card transactions data for December point to moderate growth in consumer spending in late 2009 and consumer confidence data suggest this growth will build momentum into early 2010. As well as the state of the labour market, consumer confidence will depend on the housing market. The housing market recovered for much of 2009 but flattened at the end of the year, with house sales falling in each of the three months to December 2009 and median days to sell edging up over this period. Higher fixed-term mortgage rates may partly explain this easing.

Impact of recession continued to narrow the current account deficit…

New Zealand's current account deficit with the rest of the world narrowed to $5.7 billion in the year to September 2009 (3.1% of GDP), down from a revised $10.4 billion in the year to June 2009 (5.6% of GDP). This reduction largely reflects the weakness in the economy over the September 2009 year (*Figure 3*).

Figure 3 – Balance of Payments



Source: Statistics NZ

The goods balance in the September 2009 year was a surplus of $2.3 billion, a sharp turnaround from a $2.3 billion deficit a year earlier. The turnaround largely reflected a fall in the volume and price of imports as a result of the recession. The other main driver of the smaller deficit was the investment income deficit, which fell to $574 million in the September quarter, the lowest in over 22 years. This large narrowing was caused by generalised weakness in profits accrued to foreign investors, which can also be seen in weak corporate tax receipts, and a fall in interest paid to foreign investors on New Zealand's overseas debt due to lower interest rates. The fall in profits includes tax provisions of $1,366 million from Westpac, ANZ and ASB for their structured finance tax cases with the IRD, which follows on from the $661 million provisions made by BNZ in the June 2009 quarter. However, even excluding the tax provisions, the annual current account deficit would have fallen sharply to 4.2% from 6.0% in the previous quarter and 8.4% a year ago.

December quarter merchandise trade data point to a further narrowing of the current account deficit in that quarter. However, we expect the deficit to widen from around mid-2010. A rise in import volumes is expected as domestic demand recovers further, export volumes are expected to be constrained by the high exchange rate, and the tax cases with IRD will only have a one-off impact. Nevertheless, the current account deficit has narrowed by significantly more than expected, despite the recession being shorter than forecast, and the expected widening of the deficit will likely occur from a lower level as a proportion of the economy than in previous upturns.

...and net international liabilities rose slightly

New Zealand's net external liabilities rose to $173.3 billion or 93.7% of GDP at 30 September 2009 as a net capital inflow of $3.6 billion offset net valuation changes of $2.1 billion (eg, recovery in global share prices). The net external position has been fairly stable in recent quarters, partly as the fall in the current account deficit has reduced the need for overseas financing, and the maturity profile of debt has lengthened since the global financial crisis. However, such a large net liability position, with much of this being debt, continues to make New Zealand vulnerable to any future offshore economic or market disruptions, such as the recent global crisis.

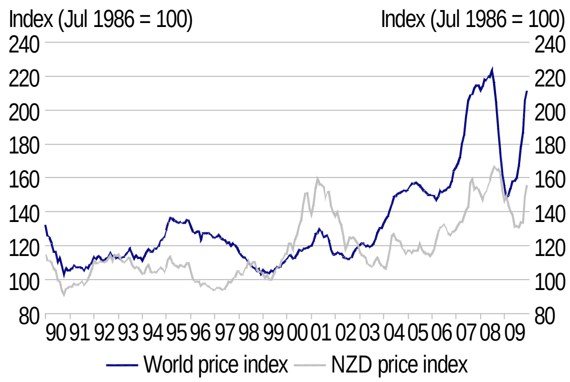
The terms of trade fell due to previous falls in commodity prices, which are now reversing

The merchandise terms of trade (ratio of export prices to import prices) have fallen by 14% since early 2008 on a Systems of National Account (SNA) basis. This steep fall largely reflects weaker prices for New Zealand's main commodity exports, particularly dairy, in a time of weak global demand. However, the SNA merchandise terms of trade fell just 0.1% in the September 2009 quarter and are expected to begin rising from the

December 2009 quarter as a normal lagged response to the recovery in spot prices for commodity exports since early 2009.

The ANZ Commodity Price Index shows world prices for New Zealand's key commodities rose for the 10th straight month in December. World prices in December were 3% higher than in the previous month and 42% higher than their recent low point in February. For exporters, some of this increase has been offset by a sharp rise in the exchange rate since early 2009, but commodity prices are also at relatively high levels in local currency terms (*Figure 4*). The trade weighted index of the exchange rate fell 2% to 64.7 in December from the previous month and, despite a rise above 67 in mid-January, the exchange rate fell back under 65 towards the end of the month.

Figure 4 – ANZ Commodity Price Index



Source: ANZ

Dairy prices have been the main driver of the rise in commodity prices. Since February 2009, world prices for dairy products have risen 81% as a result of a recovery in demand for dairy products and limited supply. Higher dairy prices led Fonterra to raise its forecast payout for the current season from $5.10 to $6.05 per kilogram of milk solids in late 2009.

Recession and lower food prices contributed to an easing of inflation in December quarter…

The Consumers Price Index (CPI) fell by 0.2% in the December 2009 quarter, but the annual inflation rate increased to 2.0% in the December 2009 quarter from 1.7% in the previous quarter as a larger fall in the December 2008 quarter fell out of the annual calculation (*Figure 5*). The annual inflation rate at the end of last year was below our *Half Year Update* forecast of 2.5% and lies exactly at the middle of the Reserve Bank's 1-3% band.

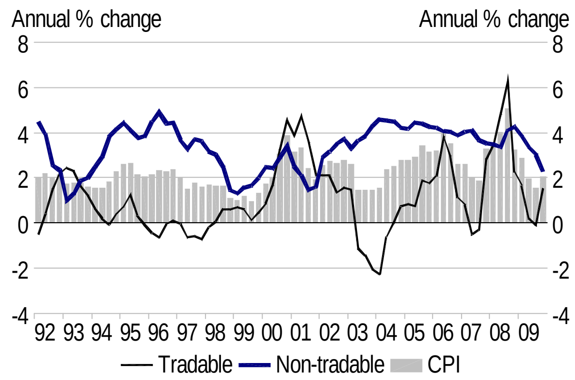
Sharp declines in food prices easily made the largest contribution to the fall in the CPI, down 2.4% in the December quarter after significant increases in previous quarters. Partly offsetting the falls was an increase in the transport group of 1.5%, driven by higher prices for international air transport and purchase of second-hand motor cars (partly due to a shortage of imported second-hand cars from Japan).

The price of tradable goods and services fell 0.5% in the December quarter, largely due to lower food and petrol prices in the quarter. On an annual basis, tradable prices lifted 1.5%, with the most significant upward contribution coming from the purchase of second-hand cars.

...as non-tradables inflation fell to 8-year low...

Non-tradables prices rose by just 0.1% in the December 2009 quarter, resulting in annual non-tradables inflation falling to an 8-year low of 2.3%. The rise in non-tradables prices was much lower than expected due to, for example, weak inflation in housing-related areas. Non-tradables prices had previously surprised on the upside with a large increase of 1.0% in the September quarter.

Figure 5 – Tradables and Non-tradables Inflation



Source: Statistics NZ

Core measures of inflation, which are generally more stable than the "headline" measure, also showed that inflation has eased as a result of the recession. The 10% trimmed mean measure of core inflation was stable in the December quarter after an increase of 0.9% in the September quarter, indicating that underlying price changes for the quarter were flat. With the recovery in the economy being subdued so far, price increases are expected to remain weak over the coming quarters, with annual inflation likely to remain around the middle of the Reserve Bank's target range. However, a faster recovery could see inflation pressures return quickly, especially given signs in the QSBO of higher capacity utilisation, as mentioned above, and higher pricing intentions among firms.

...and the Official Cash Rate was kept at 2.5%

The CPI result was as expected by the Reserve Bank in its December 2009 *Monetary Policy Statement*. On 28 January, the Reserve Bank left the Official Cash Rate (OCR) at 2.5%, noting the stronger economic outlook for our trading partners, especially Australia and emerging Asia. The Bank's statement noted that increases in the OCR would begin in mid-2010.

World economy continues to recover...

Global financial markets started the year 2010 on a weak note, with concerns about growing public debt (especially in Greece and its impact on the euro area), monetary policy tightening (eg, in China), and proposals for new government regulations for the United States financial sector. Despite financial markets being subdued, the recovery in the global economy is expected to continue. In their January 2010 update of the *World Economic Outlook*, the IMF upgraded their forecasts of global growth in 2010 from 3.1% to 3.9% and in 2011 from 4.2% to 4.3%. The largest changes were higher forecasts for growth in the United States in 2010 and emerging markets such as Brazil and Russia. This month's Special Topic examines the recession and recovery across the OECD.

… but the outlook will continue to be uncertain

The outlook is for the New Zealand economy to strengthen over the coming year. Firms are set to rebuild stocks, higher building consents and strong net migration inflows will boost residential investment, business and consumer confidence are stronger, and the world economy is recovering. However, the strengthening of growth is expected to be partly offset by a number of factors: the labour market has stabilised but remains weak, the housing market has flattened after picking up, short-term interest rates are expected to rise from mid-2010, a high exchange rate may dampen export growth, and dry conditions will affect agricultural production in some parts of the country. In addition, a stronger-than-expected recovery in the economy may not necessarily flow through to higher tax. As discussed in *Financial Statements of the Government of New Zealand*, released on the Treasury website on 29 January 2010, tax receipts in November 2009 were lower than forecast in the *Half Year Update*, with corporate taxes remaining weak.

Risks to this outlook are still evenly balanced. A more typical recovery would see stronger growth eventuate, but the unwinding of monetary and fiscal stimulus could result in renewed weakness, both here and abroad. As illustrated in the alternative scenarios of the *Half Year Update*, these risks are skewed to the upside in the short term but skewed to the downside in the medium term. February 2010 will see the release of key data that will provide an important gauge as to the strength of the current recovery. These data are labour market indicators, the first business opinion data for 2010, and retail trade figures, and will be covered in the *Monthly Economic Indicators* for February.

Special Topic: Recession and recovery in the OECD

This special topic briefly examines the recent recession and early stages of recovery in the 30 nations of the Organisation for Economic Co-operation and Development (OECD).[2]

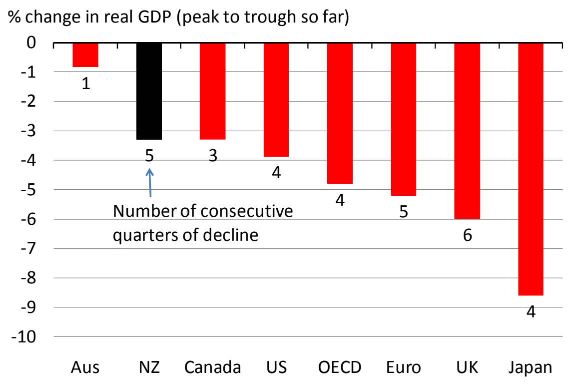
Large impact from recession in the OECD...

There has been a large impact from the global recession on the economies of OECD nations. Real GDP fell in all 30 nations for at least one quarter and fell by around 5% in the OECD as a whole over the four quarters from June 2008. This is the largest and longest recession in the OECD since the Great Depression and not since 1981 had real GDP fallen in consecutive quarters across the whole OECD.

...but significant variation by country...

Smaller economies were most vulnerable to the financial crisis, the associated global recession and resulting falls in world trade. From the peak of the previous expansion to the trough of the recession, the largest falls in real GDP were over 10% in Turkey and Iceland and just over 9% in Finland, Hungary and Mexico. G7 economies highly exposed to trade also had large falls, with real GDP down at least 6% in Japan, Germany and the United Kingdom. The smallest falls were in Poland (0.1%) and Australia (0.8%), while Switzerland and Norway also had relatively small declines.

Figure 6 – Changes in real GDP from peak to trough



Source: OECD, Treasury calculations

The typical OECD recession in 2008/09 lasted for a year. Recessions of six quarters occurred in economies more exposed to the financial crisis and housing bust, including Hungary, Spain and the United Kingdom. The shallowest recessions were generally the shortest, with Poland and Australia technically avoiding recession as real GDP fell in just one quarter. South Korea and Slovak Republic also had only one quarterly fall in GDP, but these were very large contractions.

...with local recession long but shallow

The recession in New Zealand began in the March 2008 quarter, before any OECD nation, as a result of domestic factors. New Zealand's recession was thus one of the longest, although was also among the first to finish and one of the shallowest. The fall in real GDP of 3.3% between the December 2007 quarter and the March 2009 quarter was the 6th equal smallest with Canada. Only Poland, Australia, Greece (where recession is yet to finish), Switzerland and Norway had smaller falls. New Zealand, like Australia, did not suffer the worst of the global recession because of factors such as a sound financial system and continued growth in China.

Labour markets weakened across the OECD

An important impact of the recession has been on the labour market. For the OECD as a whole, the unemployment rate rose from 5.7% in early 2008 to 8.6% in the September 2009 quarter, which is equivalent to over 15 million more unemployed people. The largest rise in this recession, and the highest rate, was in Spain, up 10.7 percentage points (%pts) to 18.7%. Ireland and Iceland had the next largest increases in the unemployment rate of 7.6%pts and 5.5%pts respectively, in line with their large falls in real GDP. The rise in the United States was also over 5%pts, despite a relatively shallow recession, as firms shed staff as part of large-scale cost cutting. The smallest increases in unemployment tended to be in Europe (eg, Germany up 0.6%pts), partly reflecting a higher starting point and greater labour market regulation.

In New Zealand, the unemployment rate rose by 3.0%pts to 6.5% in the September 2009 quarter. This rise puts New Zealand in the top third of OECD nations in terms of the size of its rise. However, New Zealand is near the bottom third in terms of its unemployment rate as it rose from a low level of 3.5% in the December 2007 quarter. As such, New Zealand's unemployment rate is

[2] "Recession" is simply defined here as consecutive falls in real GDP. A wider perspective could account for non-consecutive falls in GDP or indicators of activity other than real GDP (eg, NBER pick December 2007 as the start of the US recession, with no trough yet identified). Note that revisions to data are likely to change these results slightly over time.

also well below levels reached in its previous two recessions (11.2% in 1991 and 7.9% in 1998).

Recovery underway in most OECD nations

Recovery has begun in almost all OECD nations, reflecting a large amount of monetary and fiscal stimulus, higher confidence and robust growth in emerging markets. Only Greece, Hungary, Iceland, Spain and the United Kingdom were still in recession in the September 2009 quarter, although early estimates suggest the United Kingdom exited with growth of 0.1% in the December 2009 quarter. Strong recoveries have generally been in economies that experienced the largest recessions, including Turkey, Luxembourg and Mexico. More gradual recoveries have begun in nations that had shallow recessions such as New Zealand, Canada and Switzerland. The exceptions are Australia, Poland and South Korea, where real GDP has fully recovered the fall in late 2008.

As a lagging indicator, the rate of unemployment is likely to continue to rise in many OECD nations. However, the largest increases occurred earlier in 2009 and unemployment is likely to peak in 2010 across the OECD. On a quarterly basis, the unemployment rate has already fallen in Australia, South Korea and Turkey, with falls in other nations on a monthly basis such as the United States. New Zealand's unemployment rate is forecast to increase further in December 2009 quarter data due for release on 4 February 2010, but is then expected to stabilise.

There is still much uncertainty as to how strong and sustainable the recovery will prove to be, especially once policy stimulus is removed. Nonetheless, the recovery in OECD economies, including New Zealand, is expected to continue in 2010 at least.

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New Zealand Key Economic Data

29 January 2010

Quarterly Indicators

		2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	-0.6	-0.7	-0.9	-0.8	0.2	0.2	...
	ann ave % chg	2.5	1.5	-0.1	-1.4	-2.1	-2.2	...
Real private consumption	qtr % chg[1]	-0.5	-0.3	-0.1	-1.2	0.4	0.7	...
	ann ave % chg	2.1	0.9	-0.3	-1.1	-1.4	-1.2	...
Real public consumption	qtr % chg[1]	1.0	0.2	1.7	0.4	-1.5	0.4	...
	ann ave % chg	5.2	4.8	4.8	4.2	3.0	2.4	...
Real residential investment	qtr % chg[1]	-8.8	-7.1	-13.8	-0.5	-2.3	-5.0	...
	ann ave % chg	-2.3	-9.6	-18.2	-22.8	-24.4	-23.9	...
Real non-residential investment	qtr % chg[1]	6.4	-6.8	-2.7	-6.5	-0.4	-0.9	...
	ann ave % chg	6.6	5.4	2.0	-1.2	-6.9	-9.0	...
Export volumes	qtr % chg[1]	-1.0	-2.0	-3.5	0.8	4.7	0.0	...
	ann ave % chg	2.9	2.6	-1.3	-3.3	-3.9	-3.1	...
Import volumes	qtr % chg[1]	2.5	-7.4	-6.3	-8.2	-2.4	0.7	...
	ann ave % chg	10.1	7.9	1.9	-4.7	-12.4	-16.5	...
Nominal GDP - expenditure basis	ann ave % chg	6.2	4.9	3.0	1.6	1.1	1.2	...
Real GDP per capita	ann ave % chg	1.5	0.5	-1.1	-2.3	-3.0	-3.2	...
Real Gross National Disposable Income	ann ave % chg	4.7	4.2	1.3	-1.0	-1.5	-1.0	...
External Trade								
Current account balance (annual)	NZ$ millions	-14795	-15436	-15968	-14568	-10371	-5723	...
	% of GDP	-8.1	-8.4	-8.7	-7.9	-5.6	-3.1	...
Investment income balance (annual)	NZ$ millions	-13732	-13728	-13721	-13035	-10793	-7977	...
Merchandise terms of trade	qtr % chg	-0.4	-1	-1.0	-2.7	-9.4	-1.2	...
	ann % chg	10.7	5.8	1.8	-5	-13.5	-13.7	...
Prices								
CPI inflation	qtr % chg	1.6	1.5	-0.5	0.3	0.6	1.3	-0.2
	ann % chg	4.0	5.1	3.4	3.0	1.9	1.7	2.0
Tradable inflation	ann % chg	4.8	6.3	2.3	1.7	0.2	-0.1	1.5
Non-tradable inflation	ann % chg	3.4	4.1	4.3	3.8	3.3	3.0	2.3
GDP deflator	ann % chg	3.9	2.5	2.7	2.6	2.0	2.9	...
Consumption deflator	ann % chg	3.4	4.2	4.0	3.8	3.1	2.2	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	1.3	0.1	0.7	-1.4	-0.4	-0.7	...
	ann % chg[1]	0.8	1.1	0.9	0.7	-0.9	-1.8	...
Unemployment rate	%[1]	4.0	4.3	4.7	5.0	6.0	6.5	...
Participation rate	%[1]	68.5	68.6	69.1	68.3	68.4	68.0	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.8	1.2	0.7	0.6	0.3	0.5	...
	ann % chg	3.6	3.9	3.6	3.4	2.9	2.1	...
LCI salary & wage rates - total (unadjusted)[5]	qtr % chg	1.2	1.7	1.4	0.8	0.6	0.9	...
	ann % chg	5.4	5.6	5.6	5.2	4.6	3.8	...
QES average hourly earnings - total[5]	qtr % chg	1.4	1.5	0.9	1.4	0.7	2.1	...
	ann % chg	5.2	5.5	5.4	5.3	4.5	5.1	...
Labour productivity[6]	ann ave % chg	2.4	1.5	0.3	-1.7	-1.3	-0.6	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	82	105	101	96	106	120	117
QSBO - general business situation[4]	net %	-63.7	-19.3	-64.4	-64.6	-24.8	35.6	30.7
QSBO - own activity outlook[4]	net %	-22.9	-8.3	-40.9	-38.7	-13.1	23.0	10.8

Monthly Indicators

		2009M 7	2009M 8	2009M 9	2009M10	2009M11	2009M12	2010M 1
External Sector								
Merchandise trade - exports	mth % chg[1]	0.3	-6.8	-2.3	-3.1	4.0	4.1	...
	ann % chg[1]	-7.3	-22.8	-11.0	-23.2	-16.8	-11.7	...
Merchandise trade - imports	mth % chg[1]	-13.7	-0.5	-0.1	-7.4	2.8	5.7	...
	ann % chg[1]	-20.8	-21.5	-23.6	-28.7	-21.6	-19.2	...
Merchandise trade balance (12 month total)	NZ$ million	-2491	-2360	-1669	-1177	-860	-517	...
Visitor arrivals	number[1]	205670	204270	211240	209670	201900	...	...
Visitor departures	number[1]	206620	204980	209600	209560	201770	...	...
Housing								
Dwelling consents - residential	mth % chg[1]	4.9	2.5	5.3	13.2	0.1	-2.4	...
	ann % chg[1]	-16.8	-8.8	-12.0	27.7	20.3	23.6	...
House sales - dwellings	mth % chg[1]	2.3	-1.4	1.3	-6.0	-5.8	-4.1	...
	ann % chg[1]	33.5	40.1	43.5	36.1	42.4	14.8	...
REINZ - house price index	mth % chg	1.0	1.2	1.9	1.3	0.2	-0.9	...
	ann % chg	0.9	2.6	5.3	5.0	6.6	6.4	...
Private Consumption								
Core retail sales	mth % chg[1]	-0.5	1.4	0.0	0.5	0.8	...	...
	ann % chg[1]	1.8	2.8	3.0	2.5	3.6	...	...
Total retail sales	mth % chg[1]	-0.5	1.2	0.2	0.1	0.8	...	...
	ann % chg[1]	-1.7	-0.6	-0.4	0.6	1.7	...	...
New car registrations	mth % chg[1]	7.0	-3.6	7.8	0.8	2.5	5.3	...
	ann % chg	-16.4	-18.3	-16.8	-16.8	2.4	0.3	...
Electronic card transactions - total retail	mth % chg[1]	0.8	0.4	0.7	0.0	0.9	0.7	...
	ann % chg	0.2	-1.3	0.6	0.6	1.8	4.7	...
Migration								
Permanent & long-term arrivals	number[1]	7640	6780	6840	6950	6940	...	...
Permanent & long-term departures	number[1]	5160	5140	4980	4810	5160	...	...
Net PLT migration (12 month total)	number	14488	15642	17043	18560	20021	...	...
Commodity Prices								
Brent oil price	US$/Barrel	64.90	72.59	67.51	72.97	76.94	74.79	*78.36*
WTI oil price	US$/Barrel	64.21	71.06	69.40	75.82	77.97	74.63	*80.14*
ANZ NZ commodity price index	mth % chg	0.1	-0.5	2.4	-0.3	11.8	4.3	...
	ann % chg	-19.5	-21.4	-18.7	-19.2	-8.4	1.7	...
ANZ world commodity price index	mth % chg	1.0	4.4	6.8	4.7	10.5	2.6	...
	ann % chg	-28.5	-22.7	-13.0	-1.5	17.4	30.0	...
Financial Markets								
NZD/USD	$[2]	0.6437	0.6754	0.7024	0.7383	0.7309	0.7162	*0.7290*
NZD/AUD	$[2]	0.8011	0.8089	0.8166	0.8157	0.7943	0.7929	*0.7963*
Trade weighted index (TWI)	June 1979 = 100[2]	60.59	62.85	64.32	66.48	65.20	64.70	*66.22*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.79	2.76	2.77	2.79	2.80	2.78	*2.78*
10 year govt bond rate	%[2]	5.75	5.82	5.63	5.66	6.01	6.02	*6.00*
Confidence Indicators/Surveys								
National Bank - business confidence	net %	18.7	34.2	49.1	48.2	43.4	38.5	...
National Bank - activity outlook	net %	12.6	26.0	32.2	30.5	33.7	36.9	...
ANZ-Roy Morgan - consumer confidence	net %	107	113.2	117.3	125.9	121.5	118.6	131.4

qtr % chg — quarterly percent change
mth % chg — monthly percent change
ann % chg — annual percent change
ann ave % chg — annual average percent change
Data in italics are provisional

1 Seasonally adjusted
2 Average (11am)
3 Westpac McDermott Miller
4 Quarterly Survey of Business Opinion
5 Ordinary time
6 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