Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

March 2010

Executive Summary

- **The economy is recovering slightly more strongly than forecast in the *Half Year Update* but the impact of the recession will continue to be felt for some time**

- **Economic growth expected to strengthen further in the year ahead, as reflected in higher confidence, although may be weaker in the current quarter**

- **Weak productivity growth in recent years may have implications for potential growth**

The recovery in the New Zealand economy accelerated at the end of last year. Real production GDP rose 0.8% in the December 2009 quarter, the largest increase since the same quarter in 2007 and the first to exceed population growth in two years. Growth in the December quarter became more broad-based as some industries, notably manufacturing, showed their first significant growth for several quarters. The acceleration of growth was in line with the experience of many other developed nations.

Business confidence readings point to ongoing recovery in the economy. Although the recovery is expected to continue, the rate of growth in the March quarter may not be as strong as in December. Consumer spending growth may be slightly lower this quarter as a number of negative factors, including increases in long-term interest rates and higher petrol prices, have weighed on consumers since the start of the year. The Treasury's business and tax talks, summarised in this month's special topic, showed domestic conditions were relatively soft in early 2010 but that export demand had picked up.

The recovery in the global economy has continued and the outlook has improved. The global recovery has already seen a lift in world spot prices for our key commodities, up by nearly half in the year to February 2010 and nearing the historic highs of mid-2008. The lift in commodity prices is expected to boost New Zealand's terms of trade significantly, which began in the December 2009 quarter. For non-commodity exporters, a strong Australian economy and lower cross-rate against the Australian dollar have been positive factors.

The annual current account deficit narrowed to an 8-year low of 2.9% of GDP in the December 2009 quarter. However, we expect the current account deficit to widen to over 6% by the end of next year. Such a rise will reflect a recovery in the New Zealand economy and the low rate of domestic saving. The economy remains vulnerable to future shocks because of its high net external liability position, 90% of GDP, despite the recent fall in the current account deficit.

The economy may be recovering slightly more strongly than expected in the *Half Year Update*, but this recovery has only just begun. Real GDP in late 2009 remains around 2% below its peak two years earlier and there are questions surrounding the sustainable growth rate of the New Zealand economy. Productivity in the measured sector of the New Zealand economy fell sharply in the March 2009 year and may be on a declining trend compared to growth over the 1990s.

New Zealand Government

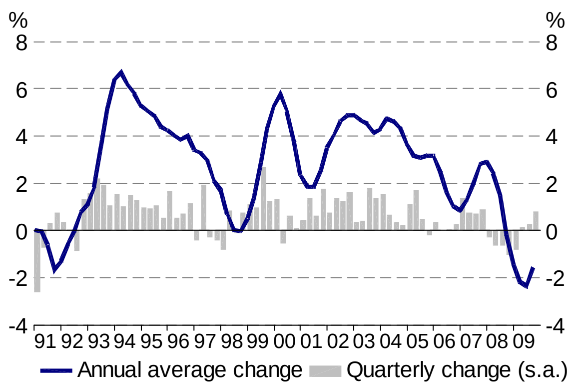
Analysis

Data in March 2010 were generally stronger than expected in the Treasury's *Half Year Update*, released on 15 December 2009. However, the recovery to date has not been particularly strong and has not yet led to higher tax revenue.

Recovery gathers strength in late 2009...

The recovery in the New Zealand economy accelerated at the end of last year. Real production GDP rose 0.8% in the December 2009 quarter, the largest increase since the same quarter in 2007 (*Figure 1*). After a five-quarter recession beginning in early 2008, growth had been subdued at 0.2% in the June 2009 quarter and 0.3% in the September 2009 quarter. The December quarter expansion was the first to exceed population growth in two years, with real GDP per capita rising 0.5%.

Figure 1 – Real production GDP



Source: Statistics NZ

Growth in the December quarter became more broad-based as output contracted in just three main industries, two of which had been boosted by one-off factors in the previous quarter. The strongest growth was in manufacturing, up 4.5% following seven consecutive quarters of contraction. Both primary processing and other manufacturing expanded strongly to meet rising demand in domestic and global markets. In contrast, construction output fell a further 0.6% in the quarter due to weaker non-residential work, despite support from infrastructure spending and stadium upgrades for the Rugby World Cup.

Real expenditure GDP also rose 0.8% in the December quarter, driven by growth in private consumption. Residential investment rose 4.8% in the quarter, although is still a third lower than its peak in 2007. Business investment also remains well below its peak and fell further in the latest quarter due to lower investment in intangible assets (fall in oil exploration) offsetting higher investment in capital (eg, plant and machinery).

Exports fell 0.9% in the quarter, led by a fall in dairy products after stocks had been run down earlier in the year and a fall in services exports as spending by overseas visitors declined. In contrast, goods import volumes rose sharply in the December quarter, although were offset by an increase in the level of stocks of $172 million after large rundowns during the rest of the year.

The acceleration of growth was in line with the experience of many other developed nations. In particular, real GDP in Australia rose 0.9% in the December 2009 quarter and 0.3% in the previous quarter, almost identical to New Zealand's growth. Although the overall impact of the global crisis was smaller in Australia, per capita growth in the second half of 2009 was stronger in New Zealand given Australia's higher population growth.

...although nominal GDP and taxes were soft...

Nominal GDP rose 0.5% in the quarter, less than expected despite a rise in the terms of trade (ratio of export prices to import prices). Prices for both private consumption and investment declined, suggesting discounting helped lift real expenditure. Weaker nominal GDP growth than expected in the 2009 *Half Year Update* helps explain why tax revenue has been below forecast, despite real GDP recovering more strongly. Tax revenue in the seven months to January 2010 was 1% below forecast excluding the impact from the settlement of structured finance transactions after the *Half Year Update* was released.

Compared to GDP, real gross national disposable income (RGNDI) is a wider measure of living standards as it measures the volume of goods and services New Zealand has command over. RGNDI fell 1.0% over the year to December 2009 as a whole, but dropped 5.7% in the December quarter, its largest fall in over 20 years. Despite being boosted by higher terms of trade, RGNDI was lowered by a sharp rise in the investment income deficit, discussed below.

...and impact of recession continues to be felt

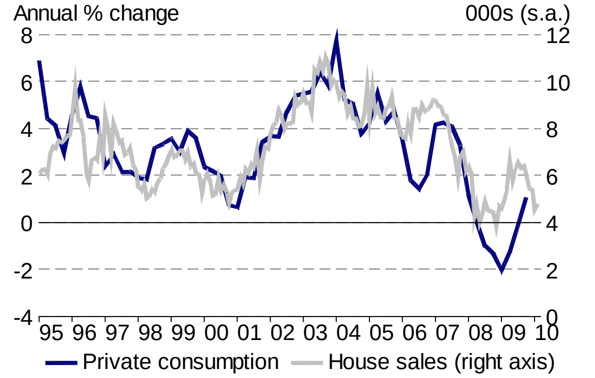
The National Bank Business Outlook (NBBO) for March is consistent with ongoing recovery in the economy as a net 39% of firms expect their own activity to rise in the next year, similar to a net

42% in the previous month. However, a recovery in the labour market and stronger export demand are required for a sustained recovery. For the labour market, job growth is likely to remain weak in the near term as firms make better use of their workers, although the NBBO suggests job growth will return later in 2010 (a net 9% of firms expect to raise staff numbers in the next year). For exports, the NBBO showed a slight worsening of the outlook but a relatively high net 37% of manufacturing firms in March 2010 still expected to raise export volumes in the year ahead. The Treasury's business and tax talks also pointed to encouraging signs for the export sector (see special topic for a summary of these talks).

Although the recovery is expected to continue, the rate of growth in the March quarter may not be as strong as in December. Consumer spending may be slightly lower this quarter based on subdued retail activity in January, weaker electronic card transactions in retail industries in February, and a small fall in consumer confidence in March. Consumer confidence, as measured by Westpac McDermott Miller and ANZ Roy Morgan, had been lifted by expectations of future conditions, rather than current conditions, but future expectations have now begun to fall back. Negative factors weighing on consumers since the start of the year have been increases in long-term interest rates, higher petrol prices, and a reported jump in surveyed unemployment. In addition, households may also be saving more.

A slowing housing market may also contribute to softer private consumption. The housing market has weakened with house price growth easing and sales in the three months to February 2010 down 18% on the previous three months (*Figure 2*). However, uncertainty related to changes in the tax treatment of property investment in the upcoming Budget may be driving this weakening.

Figure 2 – Private consumption and house sales



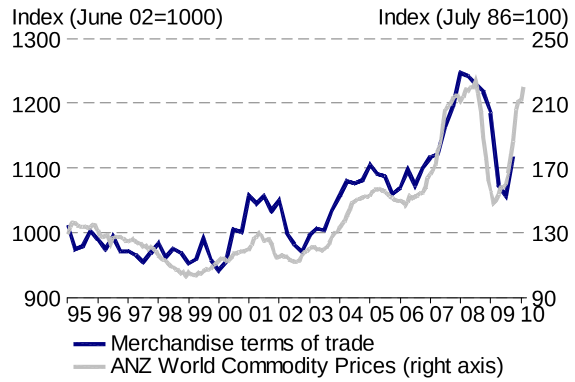
Sources: Statistics NZ, REINZ

Stronger global economic outlook

The recovery in the global economy has continued, especially among New Zealand's key trading partners. Almost all developed nations have exited recession with at least one quarter of growth by late 2009 and the outlook has also improved. The average Consensus Forecast for growth in our top-12 trading partners in 2010 was 3.5% in March after edging up 0.1%pt in each month this year. The figure for 2011 is still 3.5%. Australia, our largest export market, and China, which became our second largest export market over the year to February 2010 year, are expected to continue growing strongly.

The recovery in the global economy has already seen a lift in commodity prices. World spot prices for our key commodities were 49% higher in February 2010 than a year earlier and nearing the historic highs of mid-2008. By commodity, dairy products were 63% higher, forestry products were 37% higher, and meat, skins and wool were 28% higher than a year ago. Some of the increase for dairy products, the largest mover, has been unwound since the start of 2010. Nevertheless, the world price of our commodities is almost certain to be stronger than expected in the *Half Year Update*.

Figure 3 – Terms of trade and commodity prices



Sources: Statistics NZ, ANZ Bank

The lift in commodity prices is expected to boost the merchandise terms of trade significantly (*Figure 3*). This began in the December 2009 quarter, with the 5.7% increase in the Overseas Trade Index (OTI) merchandise terms of trade, the first rise since early 2008 and the largest since 1976. Dairy products were a key driver of the rise, up 5.0% in NZ dollar terms.

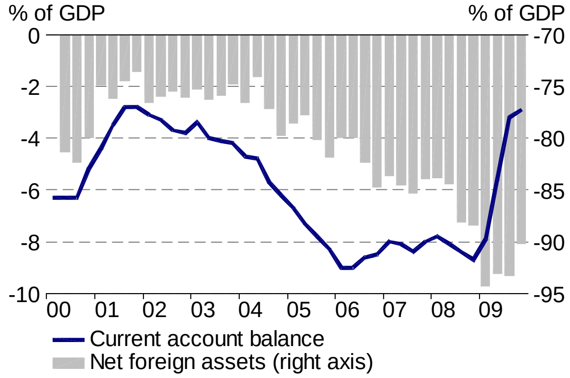
The terms of trade are expected to rise further in the first half of 2010 following the recent run-up in spot commodity prices. Such a rise is likely to be an important influence on the economy in the medium term. The forecast increase in the merchandise terms of trade in New Zealand, although significant, is not expected to be as large as that likely to be experienced in Australia given the larger run-up in their mineral prices.

A strong Australian economy has been, and is expected to remain, of benefit to New Zealand's export sector, especially manufacturing and tourism. This influence will be boosted by the New Zealand dollar tracking near 10-year lows against the Australian dollar. However, the stronger Australian labour market is likely to encourage more emigration from New Zealand. This may have begun in February 2010 with a rise in permanent & long-term departures from New Zealand to an 11-month high and a fall in the net migration inflow to a 13-month low.

Imbalances remain...

The annual current account deficit narrowed to an 8-year low of 2.9% of GDP in the December 2009 quarter, similar to our *Half Year Update* forecast of 2.8% (*Figure 4*). This represented a fall from 3.2% in the September 2009 quarter, driven by a decline in imports that largely reflects the weakness in the New Zealand economy earlier in 2009 and the subdued recovery to date.

Figure 4 – Current account and net foreign assets



Source: Statistics NZ

The annual investment income balance was fairly steady in the December 2009 quarter. However, the quarterly deficit on investment income was $3.4 billion in December 2009, the highest since June 2008 and up sharply from just $743 million in the prior quarter. The higher deficit was driven by a rise in profits earned by foreign-owned New Zealand enterprises. A partial reversal of tax provisions by major banks for their structured finance transaction cases was one factor behind this rise, but there was also a generalised upturn in profits earned by banks and other corporates. In the *Half Year Update*, we expected the current account deficit to widen from 2010 onwards to over 6% by the end of next year. Such a rise would partly reflect the one-off nature of the tax cases, which will begin to fall out of the annual calculations from the June 2010 quarter. It will also reflect a recovery in the New Zealand economy and the low rate of domestic saving. A rise in import volumes and in investment income payments accrued to foreigners is expected as domestic demand continues to recover from the 2008/09 recession.

The economy remains vulnerable to future shocks because of its high net external liability position, despite the recent fall in the current account deficit. The net external liability position did improve slightly from 93.4% of GDP at 30 September 2009 to 90.3% at 31 December 2009, but this was driven by one-off net valuation changes of $6.4 billion. The net external liability position remains very large relative to other countries and the expected widening of the current account deficit is consistent with a worsening of this position over time.

...and productivity growth has been weak

The economy may be recovering slightly more strongly than expected in the *Half Year Update* but this recovery has only just begun. Real GDP in late 2009 remains 2.1% below its peak two years earlier and this peak is not likely to be reached again until the second half of 2010. The output gap, the difference between actual output and our estimate of potential output, is also around -2%. The spare capacity in the economy this figure represents is also reflected in the unemployment rate, which sits at a 10-year high of 7.3% and well above estimates of a non-accelerating inflation rate of unemployment (NAIRU) of around 4.5%-5.0%.

There are also questions on the sustainable growth rate of the New Zealand economy (ie, potential growth) in the aftermath of the global financial crisis and in light of a recent weak productivity performance. Data released in March for the 1978-2009 period (March years) show productivity growth in the measured sector of the New Zealand economy.[1] In the March 2009 year, there was a 1.5% fall in labour productivity (output per hour worked) and a 3.1% fall in multifactor productivity (output growth not accounted for by

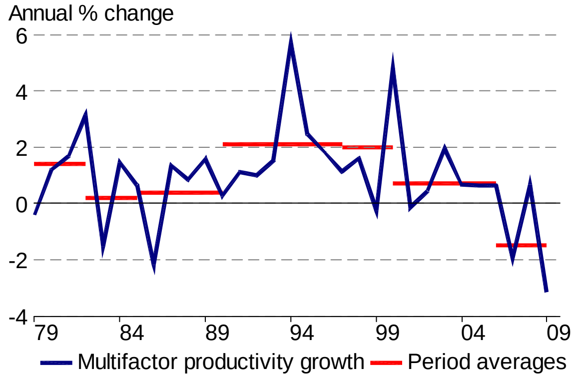
[1] The measured sector makes up around 74% of the economy and excludes industries in which productivity is difficult to measure (ie, government administration & defence, health & community services, education, and property services).

growth in capital and labour inputs). Both were the largest falls since the series began in 1978.

Weak productivity over the March 2009 year can partly be explained by recession. Real output in the measured sector fell 2.2% in the March 2009 year, the largest fall since at least 1978, but hours worked only fell 0.7% due to lags and labour hoarding by employers. However, a recession need not lead to a large fall in productivity: in New Zealand, labour productivity rose 2.9% in 1992 as output fell 1.7% and labour input fell 4.5% and, in the United States, labour productivity rose 4% in 2009 for similar reasons.

Year-to-year estimates of productivity can be volatile, but the latest year's weak figure appears to be part of a declining trend. Statistics NZ presents the productivity data over growth cycles, which show annual labour productivity growth slowed from 3.1% between 1997 and 2000 to 1.3% between 2000 and 2006. Annual multifactor productivity growth slowed from 2.0% to 0.7% over the same period (*Figure 5*). Some of this fall may be explained by a large rise in labour input (ie, hours worked) as marginal employees tend to be less productive. Productivity growth fell further in the period since 2006 but this period is not a complete cycle.

Figure 5 – Multifactor productivity growth



Source: Statistics NZ

Australia has similar data that can be used for comparison, although a different definition of measured sector is used that excludes business services and personal and other community services. Using these figures, Australia had a small fall in labour productivity of 0.3% and a large fall in multifactor productivity of 2.7% over the June 2009 year. This compares with a fall in labour productivity of 1.0% and a fall in multifactor productivity of 3.0% in the comparable sector for New Zealand over the March 2009 year.

As noted above, however, productivity should be examined over longer time periods than a year. Annual labour productivity growth in the 31 years since 1978 was similar in New Zealand (2.1%) and Australia (2.0%). Shorter and more recent periods tend to show higher growth in Australia. However, such comparisons are highly dependent on the starting point chosen and productivity growth has slowed in both nations in recent years from high rates over the 1990s. This slowing may have implications for how high sustainable growth may be in New Zealand and Australia in the future.

Risks to this outlook also remain

The economy appears to be recovering more strongly than expected in the *Half Year Update*, but there are a number of risks to this outlook. A more typical recovery would see stronger growth eventuate and confidence indicators do point to such an upturn. However, this confidence has been driven by future expectations and may be more a reflection of how deep the recession was (relief factor) than how strong the recovery will be. Notably, other domestic indicators have softened since late 2009 (eg, house sales).

There are also a number of external risks, including faltering growth in major economies once fiscal and monetary stimulus is unwound. The sustainability of public debt remains an issue, particularly in parts of Europe and the United Kingdom. In late March, an accord was reached that called for each Eurozone country and the IMF to provide loans to Greece if needed. In the United Kingdom, the budget in March disappointed markets with limited near-term fiscal cuts, although it did project large long-term budget deficit decreases and improved growth prospects.

The month of April 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 CPI inflation, the first Quarterly Survey of Business Opinion for 2010 and retail trade figures. These will be covered in the *Monthly Economic Indicators* for April. Further information on the outlook for the economy will be contained in the Budget due for release on 20 May 2010.

Special Topic: Business Talks

In preparation for the Budget economic forecasts Treasury staff met with around 35 organisations in Auckland, Wellington and Christchurch, and corresponded with a number of smaller businesses, during March. The Treasury greatly appreciates the commitment of time and effort made by the organisations that participated.

Businesses generally reported weak trading conditions over the last three months but were optimistic that conditions would improve. Exporters were the main exception, with demand from Australia and China supporting sales growth. Credit conditions remain tight and costs are increasing. Overall, the weakness evident in business investment looks set to continue. The labour market had stabilised and employment growth was likely from around the middle of the year, in line with a strengthening economy. Wages and prices remained subdued.

Business activity

Goods retailers continued to experience tough trading conditions, with sales in December and January generally down compared to the same time a year ago. Smaller retailers who relied on the Christmas period for a large proportion of their sales were reported to be particularly hard hit. In addition, small retailers faced intense competition from the larger chains across the retail goods industry. Consistent with our September round of talks, spending on discretionary items, including restaurants, furniture and consumer electronics, were most adversely affected. Sales were expected to remain flat in the short-term but firms were optimistic that growth would pick-up in the second half of the year.

The construction sector continued to receive strong support from government spending on roads, and residential construction had begun to expand again. Other construction activity was weak with a number of contacts reporting disruptions to the supply of projects in the Auckland region due to the reorganisation of local councils, and spending by local councils across the country was also down. Long lead times for public infrastructure projects and a dearth of private projects were increasing spare capacity within the sector. A lack of finance, low rents and rising vacancy rates were reflected in falling levels of new commercial and retail developments. Vacancy rates were yet to peak.

Exporting manufacturers were experiencing a lift in output from both stronger demand and stock rebuilding. Demand from Australia remained firm and sales were supported by the exchange rate to Australia, but exports to US and UK markets remained under pressure from both the currency's strength and from excess capacity within many industries. Domestic food and beverage manufacturing remained firm, with the exception of the luxury end of the market. Other domestic manufacturers had seen some recent pick-up in demand, but prices remained low and margins would take some time to rebuild.

Exporters of primary products were generally receiving higher prices for their products compared to a year ago, with demand from China and other Asian economies significant drivers, particularly in forestry and dairy. Higher beef and lamb prices were being offset by the currency and, for processed timber exporters, the strength of log prices was eroding their margins.

Transport sector contacts also saw signs of an emerging recovery with increased domestic and international travel and a rise in container volumes. However, there were questions around the sustainability of the rise in inbound tourism, which had been led by an increase in Australian visitors and container volumes had stabilised in the last month or so. There was some excess capacity in the freight and cartage segment of the industry, which was resulting in fierce competition. Some of this excess capacity was related to the expectation that legislation allowing for larger trucks on the road was imminent. Firms servicing the tourist market were not planning on increasing capacity for the 2011 rugby world cup, but would better utilise existing capacity.

Business credit and investment

The cost and conditions attached to bank credit were again raised as a concern, although outside of property development and entrepreneurial/new entrant finance (including dairy conversion), there were few indications of credit supply being constrained for the larger companies. However, a number of the smaller companies did report reductions in credit facilities and other obstacles to obtaining finance. Banks were reported to be closely managing a number of smaller companies and the number of bankruptcies was likely to grow.

Higher costs of credit and more restrictive lending conditions had led some contacts to make greater use of equity finance and other non-bank funding sources. However, the demand for finance had also fallen and balance sheets had strengthened as firms repaid debt and deferred expenditure until economic and financial conditions became more favourable.

A number of firms were deferring investment projects but some of those in retail, services and exporting industries reported that planned expansions remained on track. Several contacts reported recent investment in either labour saving or inventory management technology and processes over the past 12 months. Overall, private investment intentions remained subdued and weakness in capital expenditures was expected to persist over the next 12 to 18 months.

Employment, wages and prices

Employment had stabilised over the past six months, with some reports of a recent rise in hiring to fill gaps that had opened and some firms had been able to offer additional work hours. Skilled staff remained hard to get and some employers were finding it more difficult to find good quality unskilled staff, although that segment of the market remained relatively loose. There were reports by contacts of a rise in employees departing offshore, a trend which was expected to continue as the global economic recovery matured. Hiring activity was expected to lift in the second half of the year, in line with the overall rise in economic activity.

Many firms had frozen wages and salaries over the past year but reported growing expectations of movement this year in line with inflation. Firms were also looking for opportunities to raise prices and restore margins, but this was difficult given the weak outlook for sales.

Profits and taxes

Profits generally remained weak on the back of falling sales and depressed margins. This was likely to be reflected in lower terminal taxes for the current tax year than in the preceding year. With profitability expected to improve only gradually over 2010 accumulated tax losses could take some years to clear. Some firms had made better estimates of provisional taxes as part of more general improvements in their management of working capital. This was assisted by changes to the provisional tax payment dates, which enabled them to more accurately forecast their terminal tax obligations.

Government policy

In this round of business talks we invited firms to comment on what policy changes would best enable their firms to boost productivity and help New Zealand close the income gap with Australia. Firms with experience in the Australian market commented that Australian operations were not more efficient. Within New Zealand, the cost and time of clearing investment proposals through the Resource Management Act continued to be a concern for many companies. Extending to all firms the 90-day probation period for new employees and greater flexibility in the Holidays Act were suggested as ways to enhance the labour market. A number of contacts pointed to the exploitation of mineral wealth as a means to boost income, while improved broadband access and reduced uncertainty around the Emissions Trading Scheme were also seen as important contributors to higher income growth.

Changes to the tax mix were supported by most contacts, but there was some concern about the possibility of removing the tax allowance for depreciation on commercial buildings, which they considered did depreciate. There could be some volatility in prices if GST was increased, and some prices could increase by more than GST, as new price points were established.

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

01 April 2010

Quarterly Indicators

		2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	-0.6	-1.0	-0.8	0.2	0.3	0.8	...
	ann ave % chg	1.5	-0.2	-1.4	-2.2	-2.3	-1.6	...
Real private consumption	qtr % chg[1]	-0.2	-0.2	-1.1	0.4	0.9	0.9	...
	ann ave % chg	0.9	-0.3	-1.1	-1.4	-1.2	-0.6	...
Real public consumption	qtr % chg[1]	0.3	1.6	0.4	-1.3	0.6	0.9	...
	ann ave % chg	4.8	4.8	4.2	3.0	2.5	1.4	...
Real residential investment	qtr % chg[1]	-6.3	-15.4	0.8	-2.4	-4.1	4.9	...
	ann ave % chg	-9.6	-18.2	-22.8	-24.4	-23.9	-16.8	...
Real non-residential investment	qtr % chg[1]	-6.9	-2.7	-6.6	-0.3	-0.9	-2.5	...
	ann ave % chg	5.5	2.1	-1.2	-6.9	-9.1	-10.6	...
Export volumes	qtr % chg[1]	-2.4	-2.7	0.3	4.6	0.2	-0.9	...
	ann ave % chg	2.6	-1.4	-3.4	-4.1	-3.1	0.0	...
Import volumes	qtr % chg[1]	-6.7	-7.3	-7.7	-2.7	1.5	6.0	...
	ann ave % chg	7.9	1.9	-4.7	-12.4	-16.5	-14.9	...
Nominal GDP - expenditure basis	ann ave % chg	5.0	3.1	1.7	1.1	1.2	1.2	...
Real GDP per capita	ann ave % chg	0.5	-1.1	-2.4	-3.1	-3.3	-2.6	...
Real Gross National Disposable Income	ann ave % chg	4.2	1.3	-1.0	-1.5	-1.2	-1.0	...
External Trade								
Current account balance (annual)	NZ$ millions	-15436	-15968	-14568	-10371	-5896	-5474	...
	% of GDP	-8.4	-8.7	-7.9	-5.6	-3.2	-2.9	...
Investment income balance (annual)	NZ$ millions	-13728	-13721	-13035	-10793	-8146	-8289	...
Merchandise terms of trade	qtr % chg	-1	-1	-2.7	-9.4	-1.6	5.8	...
	ann % chg	5.8	1.8	-5	-13.5	-14.1	-8.2	...
Prices								
CPI inflation	qtr % chg	1.5	-0.5	0.3	0.6	1.3	-0.2	...
	ann % chg	5.1	3.4	3.0	1.9	1.7	2.0	...
Tradable inflation	ann % chg	6.3	2.3	1.7	0.2	-0.1	1.5	...
Non-tradable inflation	ann % chg	4.1	4.3	3.8	3.3	3.0	2.3	...
GDP deflator	ann % chg	2.5	2.6	2.5	2.1	2.7	0.1	...
Consumption deflator	ann % chg	4.2	4.0	3.8	3.1	2.2	1.4	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.2	0.5	-1.1	-0.5	-0.8	-0.1	...
	ann % chg[1]	1.1	0.9	0.8	-0.9	-1.8	-2.4	...
Unemployment rate	%[1]	4.3	4.7	5.0	6.0	6.5	7.3	...
Participation rate	%[1]	68.6	69.0	68.4	68.4	68.0	68.1	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	1.2	0.7	0.6	0.3	0.5	0.4	...
	ann % chg	3.9	3.6	3.4	2.9	2.1	1.8	...
LCI salary & wage rates - total (unadjusted)[5]	qtr % chg	1.7	1.4	0.8	0.6	0.9	0.5	...
	ann % chg	5.6	5.6	5.2	4.6	3.8	2.9	...
QES average hourly earnings - total[5]	qtr % chg	1.5	0.9	1.4	0.7	2.1	-0.2	...
	ann % chg	5.5	5.4	5.3	4.5	5.1	4.0	...
Labour productivity[6]	ann ave % chg	1.5	0.2	-1.8	-1.4	-0.7	0.7	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	105	101	96	106	120	117	115
QSBO - general business situation[4]	net %	-19.3	-64.4	-64.6	-24.8	35.6	30.7	...
QSBO - own activity outlook[4]	net %	-8.3	-40.9	-38.7	-13.1	23.0	10.8	...

Monthly Indicators

		2009M 9	2009M10	2009M11	2009M12	2010M 1	2010M 2	2010M 3
External Sector								
Merchandise trade - exports	mth % chg[1]	-2.2	-2.7	4.4	4.1	11.3	-5.7	...
	ann % chg[1]	-11.0	-23.2	-16.9	-11.4	-1.1	-3.6	...
Merchandise trade - imports	mth % chg[1]	0.1	-7.3	3.1	6.7	-3.9	3.6	...
	ann % chg[1]	-23.6	-28.7	-21.6	-18.3	-11.1	1.2	...
Merchandise trade balance (12 month total)	NZ$ million	-1669	-1176	-863	-551	-186	-347	...
Visitor arrivals	number[1]	212480	210690	202130	215640	210580	206530	...
Visitor departures	number[1]	210330	210650	200760	212030	219470	211360	...
Housing								
Dwelling consents - residential	mth % chg[1]	5.4	12.1	0.4	-3.6	-2.8	5.9	...
	ann % chg[1]	-11.8	26.7	20.3	22.8	35.2	29.9	...
House sales - dwellings	mth % chg[1]	1.4	-5.9	-9.5	-1.0	-15.8	5.4	...
	ann % chg[1]	43.4	36.1	41.8	14.8	-0.8	-4.0	...
REINZ - house price index	mth % chg	1.9	1.3	0.2	-0.9	-1.6	0.4	...
	ann % chg	5.3	5.0	6.6	6.4	6.9	5.5	...
Private Consumption								
Core retail sales	mth % chg[1]	0.0	0.4	0.7	-2.0	0.3	...	...
	ann % chg[1]	3.1	2.5	3.5	1.5	1.6	...	...
Total retail sales	mth % chg[1]	0.2	0.1	0.9	-0.4	0.8	...	...
	ann % chg[1]	-0.4	0.6	1.7	1.8	3.6	...	...
New car registrations	mth % chg[1]	7.4	0.6	2.4	6.3	-0.7	-0.2	...
	ann % chg	-16.8	-16.8	2.4	0.3	15.9	31.4	...
Electronic card transactions - total retail	mth % chg[1]	0.7	0.0	0.9	0.7	0.4	-0.4	...
	ann % chg	0.6	0.6	1.8	4.7	3.8	3.5	...
Migration								
Permanent & long-term arrivals	number[1]	6840	6950	6930	7040	7100	6690	...
Permanent & long-term departures	number[1]	5000	4800	5210	5360	5250	5630	...
Net PLT migration (12 month total)	number	17043	18560	20021	21253	22588	21618	...
Commodity Prices								
Brent oil price	US$/Barrel	67.51	72.97	76.94	74.79	76.60	73.90	*79.48*
WTI oil price	US$/Barrel	69.40	75.82	77.97	74.63	78.42	76.31	*81.13*
ANZ NZ commodity price index	mth % chg	2.4	-0.3	11.8	4.3	-1.2	7.9	...
	ann % chg	-18.7	-19.2	-8.4	1.7	5.0	11.1	...
ANZ world commodity price index	mth % chg	6.8	4.7	10.5	2.6	0.4	3.8	...
	ann % chg	-13.0	-1.5	17.4	30.0	36.5	48.6	...
Financial Markets								
NZD/USD	$[2]	0.7024	0.7383	0.7309	0.7162	0.7277	0.6974	0.7032
NZD/AUD	$[2]	0.8166	0.8157	0.7943	0.7929	0.7959	0.7868	0.7712
Trade weighted index (TWI)	June 1979 = 100[2]	64.32	66.48	65.20	64.70	66.10	64.60	65.10
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.77	2.79	2.80	2.78	2.78	2.73	2.67
10 year govt bond rate	%[2]	5.63	5.66	6.01	6.02	6.00	5.86	5.86
Confidence Indicators/Surveys								
National Bank - business confidence	net %	49.1	48.2	43.4	38.5	43.8	50.1	42.5
National Bank - activity outlook	net %	32.2	30.5	33.7	36.9	40.3	41.9	38.6
ANZ-Roy Morgan - consumer confidence	net %	117.3	125.9	121.5	118.6	131.4	123.6	121.8

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