Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

April 2010

Executive Summary

- **Retail sales fell in February and, despite an expected rise in March, will see consumer spending growth moderate in the March quarter**

- **Business and consumer confidence post further gains, pointing to higher growth later in the year**

- **Firmer world outlook supports commodity prices and exports**

Price falls for food and consumer durables, as well as restraint by consumers, led to lower spending at retail outlets in February. Indicators of retail sales point to a rise in the March month and for the quarter as a whole. However, the pace of consumer spending in the March quarter is unlikely to match the 0.8% growth rate recorded in the December 2009 quarter.

Consumer confidence surveys point to accelerating growth over the year ahead, although with consumers remaining guarded in their current purchases, the pick up may be gradual. Business confidence readings also remain buoyant but there is scant evidence of that confidence flowing through into increased levels of employment and investment. We will get an update on the labour market in early May.

The recovery in the global economy has continued and the outlook has improved, although ructions in European sovereign credit markets highlight the fragile nature of the outlook. Nonetheless, New Zealand has continued to benefit from the recovery to date with world spot prices for our key commodities rising above the previous highs of mid-2008. The lift in commodity prices, if sustained, will boost New Zealand's terms of trade significantly over the year ahead and flow through to higher income growth in the economy. For manufacturing exporters, a relatively strong Australian economy and lower cross-rate against the Australian dollar have been positive factors. The Special Topic this month provides an overview of recent international developments and how these are affecting the New Zealand economy.

The rise in commodity prices pushed the quarterly merchandise trade balance into surplus for the first time since 2001. Dairy exports rose 30% in the March quarter, while logs, meat and oil exports also rose strongly. On the imports side, plant and machinery imports posted their first rise in over a year, albeit a modest one.

The contrast between elevated levels of confidence and the caution that underlies consumer spending, coupled with subdued credit growth, suggests the process of debt consolidation is continuing. This is a process that we might see reflected in household savings in the period ahead. The outlook for exporters may also help drive investment spending, helping to promote a mix of growth that is oriented more toward investment than consumption.

This seems to be the case in the March quarter, with GDP growth shaping up to be around the same as the 0.8% growth rate in the December quarter, but with a shift in composition away from consumption and towards investment and export growth.

New Zealand Government

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Analysis

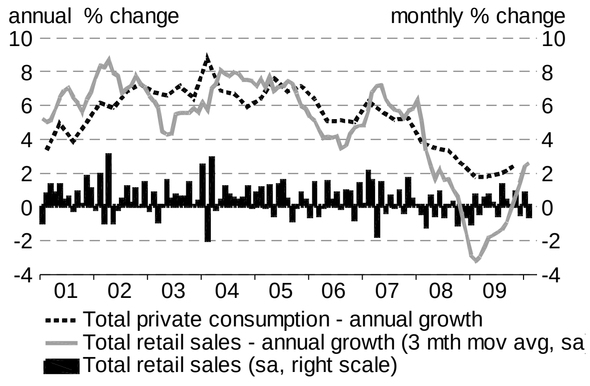
Data in April 2010 showed business and consumer confidence remained at high levels, although consumers and businesses appear quite cautious in their actual spending and investment decisions. Indicators of activity in manufacturing industries, particularly exporters, and in services industries continued to strengthen, as did trading partner growth. Overall, the data points to GDP growth in the March quarter that is similar to the 0.8% rise recorded in the December 2009 quarter.

Consumers exercise restraint...

Retail sales swung about for the first two months of the March quarter, and are expected to swing back again in the March month, yielding a net rise in quarterly retail sales, which accounts for around two thirds of the GDP measure of total private consumption expenditure.

Spending at retail outlets fell 0.6% in February (Figure 1), against market expectations of a small rise, but in line with the declines recorded in February's electronic card transactions (ECT) and credit card billings reports. Motor vehicle sales fell around 1.0%, but should rise in March to reflect the increase in new car registrations in the month and boost total retail sales. Core retail sales, which exclude motor vehicle related categories, fell 0.9% as markedly lower food prices dragged down supermarket and grocery sales, the largest individual component in the survey. Restraint by consumers, as well as lower prices, was reflected in falling sales of household appliances, furniture and floor coverings and hardware, and spending at cafes and restaurants fell for the fourth consecutive month.

Figure 1 – Retail trade and consumption growth

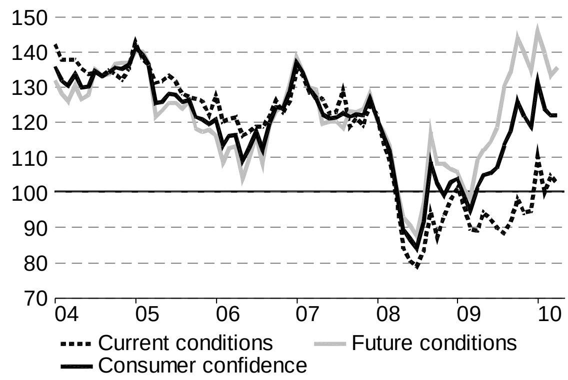


Source: Statistics NZ

…but for how long?

Retail sales indicators for March are consistent with a resumption of reasonable growth, although as Figure 1 shows, annual growth rates will likely take some time to return to their pre-recession trend. Based on the ANZ Roy-Morgan consumer confidence survey, a return to trend growth may be expected by the end of the year. In the short-term however, the current conditions component of the survey suggests consumer spending will tend to grow only modestly (Figure 2). A reading of 100 indicates consumers are evenly split between those who think economic conditions are good now or will improve in the future and those who take the opposite view.

Figure 2 – Consumer Confidence



Source: ANZ

Data supporting a decent rise in March retail sales include March's ECT report, which showed a broad-based rise of 2.1% in the value of retail sector transactions, and both credit card billings and the retail component of the Performance of Services Index bounced back from falls in February. Some of the rise in retail sales may be due to increased purchases ahead of Easter, which fell in the first week of April, in which case June quarter sales will get off to a slow start.

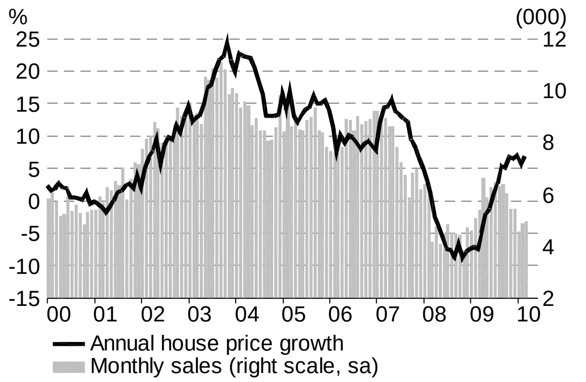
Retail sales data provides information on the value of transactions, but information on prices is required to enable calculation of the volume of goods consumed, which feeds into real GDP. The Consumers Price Index (CPI) is the main source of price information and the March quarter report showed that prices for the quarter rose 0.4%. The retail component of the ECT release rose 0.9% in the March quarter and should result in a similar lift in the retail trade survey, which implies real private consumption growth of around 0.5%, well short of the 0.9% rise recorded in the December quarter. The March retail trade survey will be released on 14 May.

Demand pressures appear modest

Annual inflation rose 2.0% in the year to March, the same as in the December year, indicating that aggregate demand in the economy has stabilised. Durable goods fell in price, reflecting the rise in the New Zealand dollar over the latter half of 2009, offsetting higher food and fuel prices resulting from higher commodity prices. Education recorded a large price rise, but housing and household utility costs remained subdued, increasing 1.6% in the year. Annual inflation is expected to remain close to the current rate in June, but beyond that higher ACC charges and the start of the Emissions Trading Scheme will push inflation up.

Information on the housing market showed that conditions recovered in March. House prices rose 1.7% in the month and were 6.8% higher than a year ago, sales increased and days to sell shortened to around their average for the March month (Figure 3).

Figure 3 – Housing market



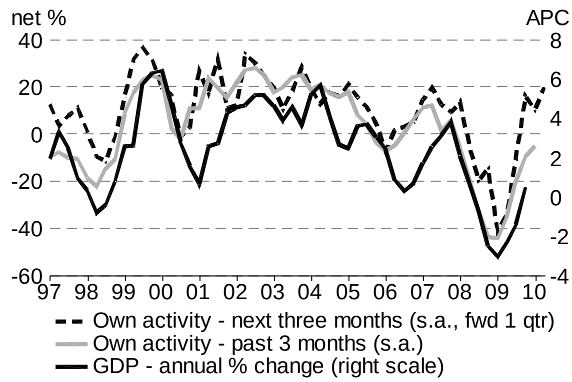
Source: REINZ

House prices rose at a rate of around 1.5% per month over the second half of 2009, but weakened towards the end of the year and into the first two months of 2010. This weakening coincided with increased discussion of moves to tighten the tax treatment of property investment. Some of this uncertainty dissipated as the government ruled out some of the changes proposed by the Tax Working Group, which may have helped steady the market. Other demand-side factors remain supportive of growth in the market: the net migration inflow in the year to March remained strong with an increase of 21,970, albeit down from January's peak of 22,590; below average mortgage interest rates; and household confidence in future income growth. At the same time, the supply of new housing remains at historically low levels – the number of consents for new dwellings including apartments fell 5.3% in the year ended March 2010, the lowest annual total for a March year since 1981. In the March month residential building consents, excluding the volatile apartments component, fell 8.3% but were up 2.3% in the March quarter. Mortgage approvals remain weak suggesting these supportive factors may take some time to flow through to the market.

Business confidence rises

Business surveys showed that business confidence remained at unusually high levels, although the implications for activity are tempered by the more restrained picture for firms' own activity outlook and actual trading conditions. March's *Quarterly Survey of Business Opinion* showed that a net 36% of firms expect conditions to improve over the next six months, the highest reading since 1999. But respondents were less positive about the outlook for their own firm, which improved to a net 20% expecting trading activity to rise, a little above the long-term average. And on the negative side, a net 5% reported a fall in activity over the March quarter, well below the long run average for this measure, which tracks GDP quite closely (Figure 4).

Figure 4 – Business confidence and GDP



Source: Statistics NZ

The pattern of below average readings for the March quarter but above average readings for the future was also evident in other key indicators, including employment and profitability. Investment intentions in both buildings and plant and machinery moved above their respective long-run averages, a requirement for sustained growth. The number of manufacturing exporters reporting an increase in sales remained well above average. More recently, the *National Bank*

Business Outlook, which focuses on the outlook over the year ahead, reported further broad based gains in firms' confidence. The own activity outlook index rose to its highest level since 1999, and export intentions in the manufacturing sector rose to an eight year high. The outlook for residential construction was particularly buoyant, somewhat at odds with the current low levels of building consents issued, and both employment and investment intentions rose to levels that are around their long-run average. The relative softness of these latter indicators leads us to be a bit more circumspect about the pace of recovery over the year ahead than some other forecasters.

Further support for a pickup in growth came from gains in both the Performance of Manufacturing Index (PMI) and the Performance of Services Index (PSI). The PMI strengthened for the seventh consecutive month, reaching its highest level since 2007. Indicators of production and deliveries support ongoing growth, but this has yet to feed through to the employment indicator, which remained in neutral territory. The PSI also rose to its highest level since late 2007, and here too the employment indicator, which was a little above the neutral mark of 50, trailed behind indicators of new orders and sales, which were pointing to solid growth.

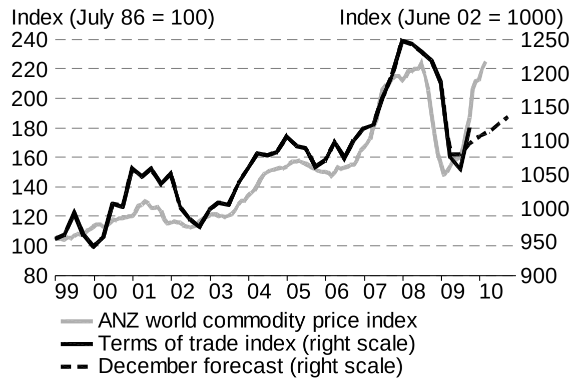
Overall, we interpret the business surveys and confidence measures as pointing to a return to growth rates that are around the long-run average by the end of the year.

Commodity price strength lifts export sales

Commodity prices continued to rise over the past month. Prices for logs, aluminium, meat and seafood all recorded large rises as demand strengthened. Dairy prices eased slightly in the month, but prices for the delivery of milk powder in the future surged 21% in Fonterra's April auction. Supply constraints in Australia, Europe and, to a lesser extent, New Zealand have combined with growing demand from China to push prices up.

Commodity prices are now at record levels in both world and domestic prices. Consequently the terms of trade through 2010 are likely to be substantially higher than forecast in December's *Economic and Fiscal Update* (Figure 5). This implies stronger growth in nominal incomes in the New Zealand economy over 2010. In the dairy industry, Fonterra announced an increase in the expected payout to farmers, which will help boost spending on and off the farm and help reduce high levels of debt.

Figure 5 – Terms of trade and commodity prices



Sources: Statistics NZ, ANZ Bank

The improved outlook for commodities should also help the rural property market recover from its slump. QVNZ figures for the six-months to December 2009 show that sales of farm units were less than one-quarter of sales 18 months ago. The fall in sales is particularly pronounced for dairy units and fattening/stud units (Table 1).

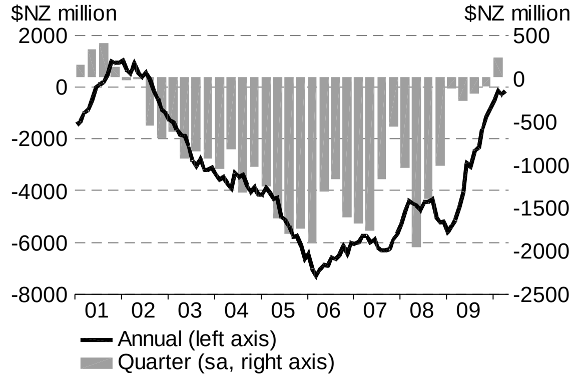
Table 1 – Open market sales of farm units

Type	Jun-08	Dec-08	Jun-09	Dec-09
Dairy	224	83	68	21
Pastoral fattening/Stud	144	77	32	11
Pastoral grazing/run	27	11	10	9
Arable	22	8	6	4
Horticultural	82	69	50	55
Specialist Livestock	41	22	23	25
Total Farmland units	**540**	**270**	**189**	**125**

Source: Quotable Value

The lift in commodity prices helped push the quarterly merchandise trade balance into surplus for the first time since late 2001 (Figure 6).

Figure 6 – Trade balance



Source: Statistics NZ

Exports rose 10%, the first quarterly rise since December 2008, led by a 30% rise in dairy exports and despite an easing in dairy volumes. Large increases were also recorded for exports of meat, logs and oil, reflecting both higher volumes and higher prices. Imports rose 7% in the quarter, the first rise since September 2008, led by higher oil imports. Imports of plant and machinery rose 4.3% in the quarter, the first rise in a year, a rather muted response in light of the high confidence. The annual balance was a deficit of $194 million, down from a deficit of $4,684 million in the year ended March 2009.

Offsetting these positive developments, drought conditions in some parts of the country will likely lower agricultural production but the immediate impact is not expected to be large – dairy production is past its annual peak and feed supplements appear to be readily available. In 2008 the main impacts of the drought were felt in later quarters as herd sizes fell and the overall condition of stock was lowered. Beyond agriculture, one important difference this year is that hydro lakes are high.

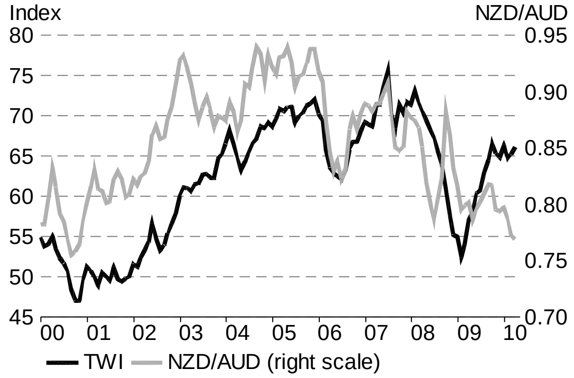
…as the global outlook strengthens…

Recent data indicate that the global economy has continued to expand over the first quarter of 2010 and the outlook for growth over the balance of the year has been revised up. The recovery continues to be characterised by strong growth in emerging and middle-income countries, particularly Asia, and more fragile recoveries in a number of the large developed economies. Overall, Consensus forecasts suggest trading partner growth in 2010 will be around 3.7%, which is only a little below average.

Concerns over the situation in Greece and other highly indebted sovereigns in the euro area have reignited, following a lull over late March and early April. This led to a fall in risk appetites and a weakening in global equity markets and risk sensitive currencies, including the New Zealand dollar. The euro area and the IMF are continuing to develop a response to the problems of Greece and other euro countries, but the focus on sovereign credit worthiness, and the extent of bank exposures to them is likely to persist for some time, bringing with it periodic bouts of volatility. Our Special Topic this month provides more detail on world developments and their impacts on New Zealand.

In foreign exchange markets there has been increasing speculation about the possibilities that Chinese authorities might soon allow some appreciation of the renminbi against the US dollar, which would imply a weaker New Zealand currency, other things equal. New Zealand's trade weighted index firmed slightly in the month and was at historically high levels against the pound sterling, contrasting with the decade lows against the Australian currency (Figure 7).

Figure 7 – Exchange rates



Source: RBNZ

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 relatively weak currency cross rate.

The Reserve Bank left the OCR unchanged at 2.50% in their April review, but suggested that, should economic developments unfold as expected, the OCR will soon rise.

…supporting a shift in the drivers of growth

The contrast between elevated levels of consumer and business confidence and the caution that underlies consumer spending and business investment, coupled with subdued credit growth suggests the process of debt consolidation is continuing. This is a process that we might see reflected in household savings in the period ahead, with households inclined to save a greater proportion of income and, perhaps optimistically, to be more cautious in the amount of debt they take on than was the case over the past decade. The outlook for exporters may also help drive investment spending, helping to promote a mix of growth that is oriented more toward investment than consumption. So far, however, we have seen only hints of this shift in the composition of growth rather than hard evidence.

For the March quarter at least, the Treasury expects private consumption growth to slow, although overall GDP growth is expected to be similar to growth in the December quarter with residential and business investment and exports expected to provide an offset.

Special Topic: World economic outlook and implications for New Zealand

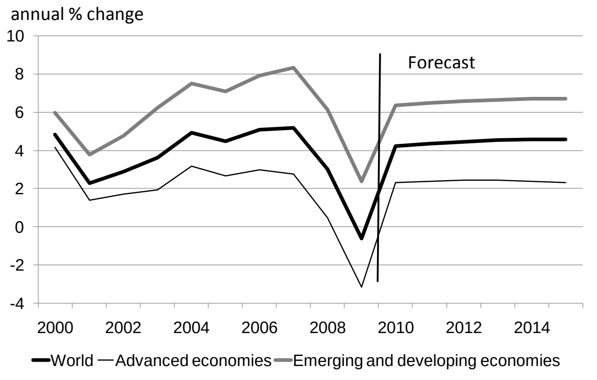
The outlook for the world economy continues to be revised up as the recovery gathers momentum. Consensus forecasts have been revised up since their trough a year ago and the International Monetary Fund (IMF) has recently revised up its forecast for world economic growth.[1]

This article looks at the recent performance of our main trading partners and the revised outlook for growth. It then considers the implications of those changes for the New Zealand economy and the main risks associated with the revised outlook.

Economic performance picks up …

All of our major trading partners[2] have now recorded positive growth on a quarterly basis since the downturn in 2008-2009, but the significant disparity in the growth rates of the major developed and developing economies is expected to continue (*Figure 8*).

Figure 8 – IMF world growth forecasts



Source: International Monetary Fund

Usually in the recovery from a downturn the countries which experienced the greatest fall in output experience the fastest recovery. That is not the case so far this time as the developed economies remain sluggish, weighed down by debt and imbalances, whereas the developing economies, especially in Asia, have rebounded quickly thanks to large fiscal and monetary stimulus in China and stock rebuilding in emerging Asia. The countries closely integrated with them have also recovered quickly, especially Australia which benefitted from its own fiscal and monetary stimulus, in addition to faster population growth. This is having flow-on benefits for New Zealand.

… and forecasts revised up

Trading partner growth (TPG) in 2009 was better than we expected a year ago in *Budget 2009*. The fall in output was less than expected, and so forecasts for the recovery have also been revised up. Consensus forecasts for 2009 and 2010 have been revised up in each month since their trough in May 2009 and the latest figures translate into trading partner growth for New Zealand of 3.7% in 2010 and 3.5% in 2011 (*Table 2*).

Table 2 – NZ trading partner growth forecasts (%)

	2009	2010	2011
Budget 2009	-2.5	1.0	2.2
Half Year Update	-1.5	2.9	3.2
Consensus (April '10)	-0.9	3.7	3.5

Source: NZ Treasury, Consensus Economics

The IMF has also revised up its forecasts in its latest *World Economic Outlook*. A year ago, they were projecting world output to contract by 1.3% in 2009 and expand by only 1.9% in 2010. Their latest estimate is that world output declined by 0.6% in 2009 and that it will expand by 4.2% in 2010 and 4.3% in 2011 (*Figure 8*).

The faster than expected recovery in the world economy has been chiefly the result of the massive fiscal and monetary stimulus in the major economies, the stabilisation of financial conditions and credit markets, a rapid rebound in output as stocks were replenished following their sharp rundown in the early stages of the crisis, and the subsequent recovery in world trade. Business and consumer confidence in the major developed economies have also recovered from their lows as asset prices have stabilised (in the case of housing) or increased (in the case of equities).

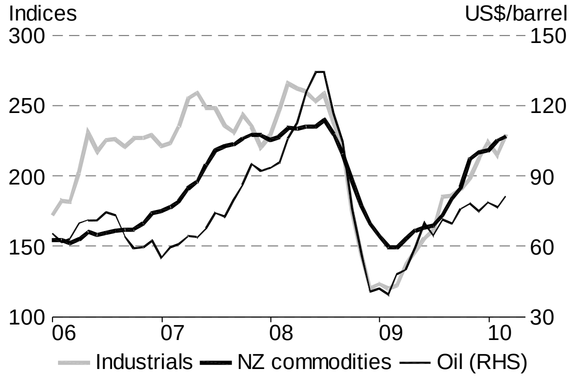
World commodity prices have recovered …

The more rapid recovery in the world economy has also been reflected in commodity markets. Prices for many commodities have increased sharply over the past year: oil prices have more than doubled from their low of less than US$40 per barrel in early 2009 and prices for industrial raw materials (including metals) have also more than doubled from their low in early 2009; food prices have increased by much less from their early-2009 low, but US dollar prices for New Zealand-specific commodities have increased by more than half from their low point over a year ago and stand just below their mid-2008 peaks (see *Figure 9 over the page*).

[1] http://www.imf.org/external/pubs/ft/weo/2010/01/index.htm

[2] Our top 12 trading partners (measured by value of exports) are Australia, United States, Euro Area, Japan, China, United Kingdom, Korea, Singapore, Taiwan, Malaysia, Hong Kong and Canada.

Figure 9 – Commodity prices in US dollars



Source: The Economist, ANZ Bank, DataStream

… driven up by demand from China …

The rapid recovery in output in emerging Asia, and associated rebuilding of inventories, has made a significant contribution to the bounce-back in commodity prices from their early-2009 lows. China's industrial production was up 18% in March from a year ago and India's was up 17% in January. The stronger recovery in the developing economies, which are resource-intensive, is a major factor in the increase in commodity prices.

Some non-commodity factors may also be driving prices up: the ample monetary stimulus pumped in by central banks has created an environment of low interest rates and ample liquidity, reducing stock-holding costs; investors are eager to find higher returns and commodities whose prices are rising may provide that. The weakness of the US dollar may also be boosting prices denominated in that currency. Other factors may also be at play in the case of dairy prices: fears of the impact of the current drought on New Zealand's production may be driving prices up; Australian dairy production was down 6% in the year to February, also as a result of dry conditions, and it was feared that European production would be held back by the severe winter.

… but are they sustainable?

The rapid rise in commodity prices has raised concerns about their sustainability. In large part this depends on the recovery in the emerging economies. Higher commodity prices will lead to higher consumer price inflation, especially in developing countries where food accounts for a larger share of household expenditure, putting the recovery at risk. There are also concerns about asset price bubbles and over-investment in China as a result of lax credit growth. Furthermore, a tightening of monetary policy in the developed economies might bring a correction in commodity prices as holding costs increase.

Implications for New Zealand

Higher commodity prices are expected to translate into a higher terms of trade for New Zealand as export prices are more affected by commodity price movements than import prices. There is also now a partial offset to higher oil import prices as oil exports accounted for approximately one third of the value of oil imports in 2008 and 2009. However, there may simply be a lag in the impact of higher commodity prices on import prices as higher input costs filter through to higher prices for imported investment and consumer goods.

Sovereign debt a major risk to the outlook …

Although the world economy has recovered more strongly than expected, there are several risks associated with the outlook, both up and down.

The greatest risk to the continuation of the world recovery at present is the sovereign debt crisis in Greece. Greece has applied to the IMF and European Union for a €45 billion loan (around 20% of their GDP) to allow them to meet the current year's fiscal deficit and roll over maturing debt. The fiscal deficit was around 14% of GDP last year and public debt is estimated at 115% of GDP. The government has announced a number of austerity measures aimed at reducing the fiscal deficit and stabilising debt levels.

However, even with these steps, debt is likely to continue to increase as the fiscal measures and the adjustment required to make the Greek economy competitive again will result in slower economic growth (if not outright declines), further reducing tax revenues and exacerbating the debt position. As the extent of the problem has unfolded, interest rates on Greek debt have soared, especially for shorter-dated bonds (2-year bonds briefly reached 25% on 28 April). Moody's and Standard & Poor's (S&P) have both downgraded Greece's credit rating, in S&P's case to below investment grade. Greek debt markets steadied towards the end of April on news that a larger bailout package may be available and that agreement will be reached soon.

The main threat from the Greek debt crisis is that it will spread to other highly-indebted European nations, in particular Portugal, Spain, Ireland and Italy. S&P downgraded both Portugal and Spain in the last week of April and further downgrades could follow. If the crisis spreads, it would have wider consequences as those countries sought to regain control of their fiscal positions and make their economies more competitive. Initially, there might be an increase in safe-haven demand for government bonds, with rates falling in less indebted nations. However, if the crisis escalated there might be fears about the sustainability of the fiscal positions of the heavily-indebted major developed economies such as Japan, the US and UK. Japan's net government debt is around 160% of annual GDP and both the US and UK are running budget deficits in excess of 10% of GDP. If the crisis spread to these countries, there could be a generalised movement of risk aversion away from government debt, resulting in higher bond rates around the world. New Zealand's relatively low fiscal deficit and debt level would reduce the risks it would face in such a case.

… as is the withdrawal of stimulus

The second major risk associated with the outlook for the world economy is the transition from the fiscal and monetary stimulus provided by governments and central banks to a genuine strengthening in private demand. Monetary policy remains very stimulatory in all the major economies, with the exception of Australia which has started to tighten; most economies have not started to withdraw fiscal stimulus yet. Premature withdrawal of that stimulus or a failure on the part of firms and households to replace it could result in a faltering in the recovery path.

There are several other threats to the recovery in the global economy. A more rapid economic rebalancing, while desirable, would result in lower growth overall as the trade-surplus, excess-savings economies (e.g. China) would be unable to fully replace the final demand of the trade-deficit, excess-spending economies (e.g. the US). There is also concern about the strength of growth once the current stock-rebuilding phase ends.

Furthermore, although financial conditions have stabilised, credit growth in the major developed economies remains subdued and there is a risk that the recovery could be constrained if credit creation is limited. Regulation of financial markets and of international trade may also impede the pace of the recovery as governments aim to prevent a similar crisis developing again or seek to protect domestic interests. Continuing weak housing and labour markets might also act as a brake on final household demand.

There are upside risks as well …

The chances of an even stronger recovery relate to a more generalised cluster of outcomes rather than specific event risks, as in the case of the downside. There is a higher probability of a stronger recovery, bit its impact would not be as great as any one of the major downside risks. A stronger recovery may occur if emerging economies, especially in Asia, maintain monetary policy settings linked to the developed economies by keeping interest rates low and not revaluing their currencies to assist global rebalancing.

Faster progress in restoring financial sector strength and rebuilding firm and household balance sheets, as asset prices recover, would also lead to a quicker pace of recovery, assisted by faster credit growth. These risks would have positive dynamics, with higher credit growth and higher asset prices, in turn bolstering business and consumer confidence, and supporting investment and consumption.

… with an impact on New Zealand economy

A stronger-performing world economy would have flow-on benefits for New Zealand. With stronger global demand, the terms of trade would be higher, but easier availability of credit, positive wealth effects and increased confidence would support domestic demand in the New Zealand economy as well.

Depending on the event which triggered a slower recovery in the world, the transmission to New Zealand might be more direct. A sovereign debt crisis would reduce demand for our exports, but might also result in a lower exchange rate (reducing purchasing power) and higher bond rates to reflect risk factors. A faltering in the recovery, whether because it atrophies once stock rebuilding is complete or because private demand fails to replace public stimulus, would chiefly result in a lower terms of trade.

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

Contact for enquiries:
The Treasury
PO Box 3724, Wellington
NEW ZEALAND

information@treasury.govt.nz
Tel: +64 4 472 2733
Fax: +64 4 473 0982

New Zealand Key Economic Data

30 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	0.1	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	0.4
	ann % chg	5.1	3.4	3.0	1.9	1.7	2.0	2.0
Tradable inflation	ann % chg	6.3	2.3	1.7	0.2	-0.1	1.5	2.0
Non-tradable inflation	ann % chg	4.1	4.3	3.8	3.3	3.0	2.3	2.1
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	21.9
QSBO - own activity outlook[4]	net %	-8.3	-40.9	-38.7	-13.1	23.0	10.8	14.5

Monthly Indicators

		2009M10	2009M11	2009M12	2010M 1	2010M 2	2010M 3	2010M 4
External Sector								
Merchandise trade - exports	mth % chg[1]	-2.7	4.3	4.2	11.2	-5.1	3.4	...
	ann % chg[1]	-23.2	-16.8	-11.4	-0.8	-3.3	0.2	...
Merchandise trade - imports	mth % chg[1]	-7.1	3.3	6.9	-3.6	5.2	3.1	...
	ann % chg[1]	-28.7	-21.6	-18.3	-11.0	1.3	-3.9	...
Merchandise trade balance (12 month total)	NZ$ million	-1176	-863	-549	-176	-324	-194	...
Visitor arrivals	number[1]	210480	202420	215740	210540	206500	208820	...
Visitor departures	number[1]	210360	200550	211560	220200	210350	207660	...
Housing								
Dwelling consents - residential	mth % chg[1]	11.9	0.4	-3.8	-2.9	5.8	-0.4	...
	ann % chg[1]	26.7	20.4	22.7	35.0	29.8	32.9	...
House sales - dwellings	mth % chg[1]	-6.0	-9.8	0.0	-16.4	7.6	1.8	...
	ann % chg[1]	36.0	41.7	14.8	-0.9	-3.9	-7.8	...
REINZ - house price index	mth % chg	1.3	0.2	-0.9	-1.6	0.4	1.7	...
	ann % chg	5.0	6.6	6.4	6.9	5.5	6.8	...
Private Consumption								
Core retail sales	mth % chg[1]	0.4	0.7	-2.0	0.3	-0.9	...	...
	ann % chg[1]	2.5	3.5	1.5	1.6	0.7	...	...
Total retail sales	mth % chg[1]	0.0	0.8	-0.5	0.7	-0.6	...	...
	ann % chg[1]	0.6	1.7	1.8	3.6	2.3	...	...
New car registrations	mth % chg[1]	1.1	2.4	6.9	-0.8	0.7	5.3	...
	ann % chg	-16.8	2.4	0.3	15.9	31.4	31.7	...
Electronic card transactions - total retail	mth % chg[1]	0.1	0.8	0.8	0.4	-0.4	2.1	...
	ann % chg	0.6	1.8	4.7	3.8	3.5	6.1	...
Migration								
Permanent & long-term arrivals	number[1]	6960	6940	7040	7090	6670	6850	...
Permanent & long-term departures	number[1]	4810	5210	5370	5260	5660	5860	...
Net PLT migration (12 month total)	number	18560	20021	21253	22588	21618	20973	...
Commodity Prices								
Brent oil price	US$/Barrel	72.97	76.94	74.79	76.60	73.90	79.52	*85.00*
WTI oil price	US$/Barrel	75.82	77.97	74.63	78.42	76.31	81.24	*84.38*
ANZ NZ commodity price index	mth % chg	-0.3	11.8	4.3	-1.2	7.9	0.4	...
	ann % chg	-19.2	-8.4	1.7	5.0	11.1	15.5	...
ANZ world commodity price index	mth % chg	4.7	10.5	2.6	0.4	3.8	1.8	...
	ann % chg	-1.5	17.4	30.0	36.5	48.6	49.7	...
Financial Markets								
NZD/USD	$[2]	0.7383	0.7309	0.7162	0.7277	0.6974	0.7032	*0.7117*
NZD/AUD	$[2]	0.8157	0.7943	0.7929	0.7959	0.7868	0.7712	*0.7680*
Trade weighted index (TWI)	June 1979 = 100[2]	66.48	65.20	64.70	66.10	64.60	65.10	*66.08*
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	2.80	2.78	2.78	2.73	2.67	*2.69*
10 year govt bond rate	%[2]	5.66	6.01	6.02	6.00	5.86	5.86	*5.96*
Confidence Indicators/Surveys								
National Bank - business confidence	net %	48.2	43.4	38.5	45.1	50.1	42.5	49.5
National Bank - activity outlook	net %	30.5	33.7	36.9	40.8	41.9	38.6	43.0
ANZ-Roy Morgan - consumer confidence	net %	125.9	121.5	118.6	131.4	123.6	121.8	121.9

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