Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

May 2010

Executive Summary

- **Households remain cautious, limiting their spending and borrowing**
- **The labour market reaches a turning point as employment expands**
- **Firms continue to experience a strong rebound in activity**
- **European sovereign debt crisis poses a risk to growth ahead**

Data released in May shows that households remain cautious, by limiting spending and reducing debt, despite the ongoing recovery of the New Zealand economy. Retail sales posted a modest 0.2% rise in volumes in the March quarter, suggesting that private consumption growth may contribute less to March quarter GDP than predicted in our *Budget Update* forecasts. Indicators of spending in the coming months, such as Electronic Card Transactions, suggest consumers are likely to remain cautious in the June quarter as well, consistent with the slight GST revenue shortfall in April.

Credit data in April provide further evidence that cautious spending behaviour has resulted in a reduction of consumer debt. Consumer-related debt in April was 3.1% lower than in the same month in 2009. In addition, growth in the stock of housing-related debt has weakened considerably, pointing to a fall in housing market activity.

The labour market reached a turning point in the March quarter, as shown by an unanticipated 1.1%pt fall in the unemployment rate to 6.0%. A large lift in employment, combined with a steady participation rate, led to a dramatic fall in the number of people unemployed. Meanwhile, March quarter wage growth moderated by more than expected, which is likely to be influencing consumers' spending decisions. Recent labour market developments are discussed in more detail in this month's *Special Topic*.

In contrast to households, firms are experiencing a strong rebound in activity. The *National Bank Business Outlook* survey showed that firms' expectations of their own activity in the year ahead are at their highest reading since May 1999, suggesting a substantial rise in output in 2010. In addition, the *BNZ-Business NZ* Performance of Manufacturing Index indicates that manufacturing activity continues to expand strongly.

Higher commodity prices and strong world demand for New Zealand's exports helped to post the first annual merchandise trade surplus since July 2002. Meanwhile, subdued domestic demand and a higher exchange rate have dampened import payments.

Recent international economic data show that the world economic recovery is gaining momentum, resulting in the OECD revising up their forecasts for world growth. However, an escalation of European sovereign debt problems has raised concerns around the sustainability of the recovery.

On balance, we still expect March quarter GDP growth of 0.8%, although slower consumption growth provides some downside risk.

New Zealand Government

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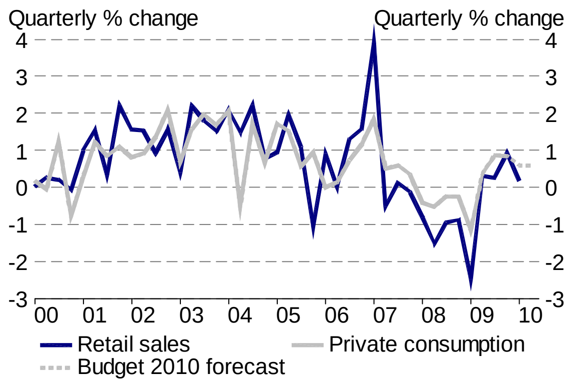
Data released in May showed that despite the continued recovery, consumers are being cautious by limiting spending and paying down debt. Meanwhile, indicators of business activity show that firms are experiencing a strong lift in activity. However, the European sovereign debt crisis deepened in May, and poses a risk to New Zealand's trading partner growth. On balance, the data still point to March quarter GDP growth being in line with our *Budget* forecast of 0.8%.

Consumers show restraint in early 2010...

Further evidence released in May shows that households remain cautious, by limiting spending and reducing debt, despite the economic recovery gaining momentum. The retail trade survey posted a modest 0.2% rise in sales volumes in the March quarter. However, the quarterly growth was largely shaped by a substantive 4.2% lift in automotive sales. The strong rise in vehicle sales is consistent with increases in new motor vehicle registrations but vehicle sales remain 19% below their June 2007 peak.

Figure 1 – Retail sales and private consumption



Sources: Statistics NZ, the Treasury

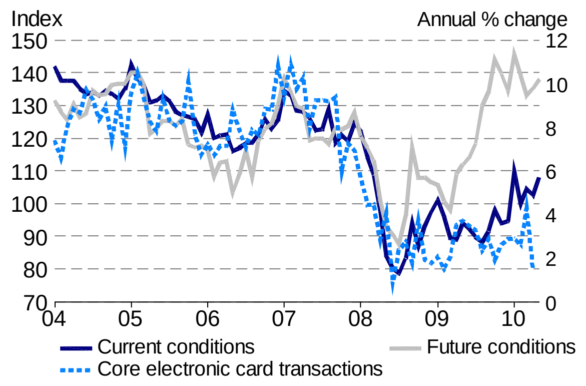
Removing vehicle-related sales from the total exposed a 0.5% contraction in core sales volumes in the quarter. Consumers look to have pulled back their spending on discretionary items. Sales at bars and clubs (-5.0%), cafes and restaurants (-3.8%), and supermarket and grocery stores (-1.3%) were the largest contributors to the fall in sales. Furthermore, appliance sales also declined despite evidence of discounting. Partly offsetting these declines were sales of accommodation, furniture and floor coverings. Retail sales suggest that private consumption may contribute less to growth in the first quarter of 2010 than we had predicted in the *Budget* (*Figure 1*). The softer-than-expected consumption growth in the March quarter appears to have continued into April with a slight shortfall in GST revenue relative to our *Budget* forecasts.

...which is set to continue in the coming months...

Leading indicators of spending behaviour suggest that consumer spending growth may remain muted over the coming months. For instance, the value of Electronic Card Transactions (ECT) fell 1% in April, led by a 1.9% fall in core retail transactions. However, the drop in ECT is likely to in part reflect the timing of the Easter holiday in early April, with some spending likely to have been brought forward into March. In addition, a 0.5% decline in food prices in the same month would have also dented the value of core transactions.

While consumers remain upbeat about future conditions, their current experience is playing a larger role in influencing their spending decisions (*Figure 2*). The ANZ-Roy Morgan consumer confidence survey revealed that a net 5% of respondents felt worse off in May compared to 12 months ago – fewer than the net 11% recorded in April. A net 21% of consumers believed that now is a good time to purchase a durable household item, up from recent monthly readings, but still well below levels seen prior to 2007. Given that decisions to purchase durable goods take time to be acted on, spending on durable goods is likely to remain weak for some time.

Figure 2 – Consumer confidence and core ECT



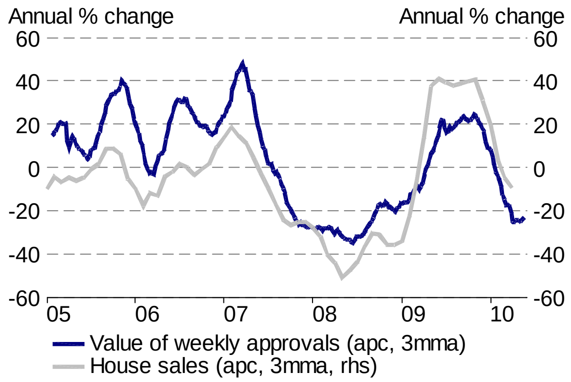
Sources: Statistics NZ, ANZ-Roy Morgan

…reducing households' need for credit...

The Reserve Bank of New Zealand's (RBNZ) credit data suggests that households are demonstrating restraint by limiting spending and paying down debt. In particular, consumer debt in

April was 3.1% lower than the same month a year ago. However, there are signs that consumer debt is slowly picking up with consumer debt being 0.7% higher than the recent low recorded in September 2009. The stock of housing-related borrowing was 3.1% higher than April 2009, similar to rates of growth seen over the past year, but is still a far cry from the double digit rates of growth that occurred over most of the last decade. Furthermore, the trend value of housing loan approvals in May is well below levels seen a year-ago, suggestive of falling house sales (*Figure 3*).

Figure 3 – Mortgage approvals and house sales



Sources: RBNZ, REINZ

...and leading to soft housing market activity

Households' lack of willingness and ability to take on housing-related credit is reflected in housing market outcomes. The Real Estate Institute's (REINZ) monthly housing market report showed that seasonally adjusted house sales remained flat in April, and the house price index declined 0.4%. It is likely that pre-Budget uncertainty around signalled changes to the tax treatment of property has influenced recent house price movements. Nevertheless, the number of days to sell has ticked up in recent months to 41 days suggesting that house prices may have further to fall.

During 2009, net migration supported the housing market by boosting New Zealand's population growth. In recent months, however, net migration has begun easing. Permanent and long-term (PLT) arrivals exceeded departures by 20,000 in the April 2010 year, down 2,600 from the January 2010 peak. Lower net migration was mainly the result of declining PLT arrivals (-2,400), yet a slight pick-up in departures (+200) also aided the decline. We expect that net migration will continue to decline through 2010, as PLT departures begin to rise, which will be a moderating factor for the housing market.

Consents signal strong building growth

An increase in building consents points to strong growth in residential investment. Excluding apartments, there were 1,309 new dwelling consents issued in April. Seasonally adjusted, consents jumped 15.5% in the month, following an 8.6% fall in March. The number of dwelling consents can jump around from month to month. Removing this volatility showed that the trend level of consents continued to rise in April, up 1.9%. Based on dwelling consent data, residential investment is likely to make a strong contribution to GDP growth during 2010, in line with our *Budget f*orecast. Nevertheless, softening house prices and credit growth may limit the extent to which future dwelling consents grow and the level of residential investment will still remain relatively low.

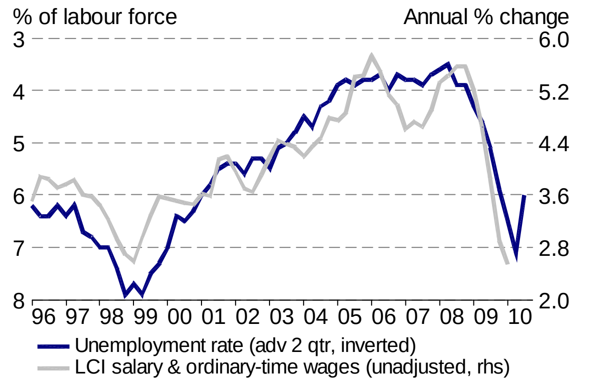
Sharp drop in unemployment rate signals turning point...

The March quarter Household Labour Force Survey (HLFS) provided compelling evidence that the labour market has reached a turning point. The seasonally adjusted unemployment rate fell by a substantial 1.1 percentage points (%pts) in the quarter to 6.0% – well outside the range expected by market commentators including the Treasury. A strong 1.0% rise in the number employed, combined with a stable labour force participation rate of 68.1%, led to the dramatic fall in those actively looking and available for work.

The unexpected fall in the unemployment rate may in part be explained by abnormal seasonal patterns. The actual number unemployed typically rises between the December and March quarters, due to a fall in seasonal employment and an influx of people from study, but this year a drop of 5,400 was recorded, and employment fell by much less than normal for a March quarter. This month's *Special Topic* discusses recent labour market developments in more detail.

The December quarter unemployment rate was revised down 0.2%pts to 7.1%, and we expect the dramatic fall in the unemployment rate in the latest quarter may subsequently be revised up as seasonal adjustment factors are revised. Nevertheless, the March 2010 quarter confirms that the labour market has progressed into a phase of recovery, leading to less spare capacity in the labour market which will place upward pressure on wages in the future (*Figure 4*).

Figure 4 – Unemployment rate and wage growth



Source: Statistics NZ

...as the recovery increases firms' demand for labour

The strong increase in employment presented by the HLFS was mirrored by a sharp rise in firms' demand for labour. The *Quarterly Employment Survey* (QES) showed that total hours paid rose 1.1% in the March quarter to reach levels recorded a year ago, and a similar result occurred in the number of total filled jobs.

On the other hand, wage growth moderated much quicker than expected in the first quarter of 2010. The Labour Cost Index (LCI), which measures pure wage rate movements by stripping out productivity-related increases, rose 1.5% in the year to March, down from the 1.8% measured in December and the 3.9% peak recorded in September 2008. The unadjusted LCI, which includes productivity adjustments, rose 2.5% in the year to March – the lowest rate recorded since the series began (*Figure 4*). Furthermore, unadjusted average ordinary time hourly earnings in the QES fell 0.4% in the quarter leading to an annual increase of 2.2%.

Soft wage growth largely reflects past labour market weakness resulting from the recession. Nevertheless, restrained income growth is likely to be influencing consumers' spending decisions.

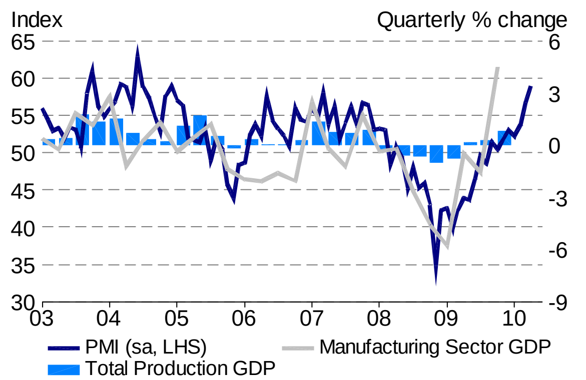
Indicators point to strong expansion in business activity...

While households show only a subdued recovery, measures of business sentiment point to a strong expansion in firms' output. According to the *National Bank Business Outlook* (NBBO), business confidence remains at elevated levels with a net 48.2% of respondents expecting general business conditions to improve over the year ahead – despite easing 1.3%pts. Moreover, firms' own activity rose to show a net 45.3% of firms expect their own situation to improve over the next year, the highest reading since May 1999. The own activity measure is a reasonable leading indicator for annual GDP growth, and the May NBBO report points to a substantial rise in output in 2010. Encouragingly, hiring and investment intentions strengthened in May, and will be important for the sustainability of the recovery.

...such as manufacturing and services

The *BNZ-Business NZ* Performance of Manufacturing (PMI) and Performance of Services (PSI) indexes both posted readings above 50 in April indicating an expansion in activity. The PMI reached 58.9 in April, the highest value since December 2004, and is suggestive of a strong increase in manufacturing activity (*Figure 5*). All underlying indices in April indicated expansion, with measures of production (63, +2.8) and new orders (61, +3.7) topping the list. Manufacturers looked to have increased employment (52.2, +3.2) in the month.

Figure 5 – PMI and manufacturing output



Sources: Statistics NZ, BNZ-Business NZ

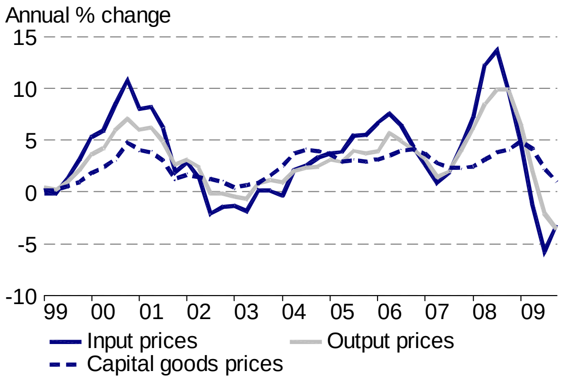
Complementing the PMI, the PSI recorded a reading of 54.1 in April, the sixth consecutive month of expansion, suggesting that the services sector will also contribute to the recovery. Most of the services industries recorded a rise in activity during the month. In contrast, retail trade activity (46.3) was sluggish in April, consistent with other measures of retail activity mentioned above.

Producers' prices rise...

A concentration of large price increases in a small number of industries led to a 1.8% rise in the prices received by businesses in the March quarter, according to the *Producers Price Index* (PPI). The March quarter increase in producers' output prices is the first lift recorded since December 2008 and follows a 0.1% fall in the final quarter of 2009. A record 30% increase in the dairy product manufacturing index, as a result of strong rises in world dairy prices in late 2009, was the most notable rise. Higher prices for petrol and electricity led to rises in the wholesale trade (+1.6%) and electricity generation and supply (+4.8%) price indexes.

Non-labour production costs also picked up in the March quarter, as shown by the 1.3% rise of the PPI inputs index. Similar to output prices, rising costs were concentrated in the electricity generation and supply (+16.2%), dairy product manufacturing (+6.5%) and wholesale trade (+1.8%) industries. Producer prices are similar to year-ago levels, with output prices being 0.6% higher and input prices are 0.5% lower than March 2009 (*Figure 6*).

Figure 6 – Producer and capital goods prices



Source: Statistics NZ

Although producer price inflation remains relatively benign, business managers expect inflation pressure in the economy to rise. The RBNZ's June quarter survey of expectations showed a significant 0.8%pt rise in one-year-ahead CPI inflation to 2.9%. The rise is likely to partly reflect the then anticipated rise in the GST rate. Two-year-ahead inflation expectations also increased, the fourth consecutive quarterly increase to reach near record highs, suggesting that underlying inflation is set to rise.

...while the cost of capital goods soften

The cost of capital goods softened in the March quarter, as shown by the 0.1% fall in the Capital Goods Price Index (CGPI) – to be 0.4% lower than March 2009 (*Figure 6*). Almost all of the fall in the March quarter was attributable to plant, machinery and equipment prices, with discounting flagged as the main reason. Muted capital goods inflation is also likely to reflect restrained business investment activity in the quarter. Cheaper capital goods compared to last year are likely to reflect the rise in the NZ dollar over that period. With the NBBO survey showing a lift in investment intentions, demand for capital goods is expected to rise through 2010. Consequently, rising prices for capital goods are likely to follow.

Boost in exports lead to an annual trade surplus...

Ongoing strength in world demand for New Zealand's exports led to the first annual merchandise trade surplus since July 2002. Export receipts in April were 9% higher than a year ago, reflecting strong demand for New Zealand commodities from Asia, in particular China. The increase in the value of exports from a year ago was led by dairy (+29%) and forestry product (+34%) exports.

Meanwhile, subdued domestic demand and the higher New Zealand dollar dampened the value of imports, which fell 0.2%. Imports were partly held up by the arrival of the naval vessel HMNZS Otago. Imports of plant and machinery, and consumer goods fell 9% and 7% respectively. While the merchandise trade surplus will help to reduce imbalances in the economy in the near term, rising spending and investment vital to the continued recovery are likely to lead to a widening of the trade deficit further out.

...helped by strengthening commodity prices

The strong rise in the value of New Zealand's exports is in part due to rising commodity prices over the same period. The ANZ Commodity Price Index increased 2.5% in May, following a revised 5.4% rise in April, to reach another record high. Most of the commodities measured in the index increased in May, with the prices of skins and kiwifruit posting the largest rises. The exchange rate had little influence on the New Zealand dollar index in May, which rose by 2.9%.

Dairy prices have helped to boost the commodity price index in recent months. Higher prices for dairy led Fonterra to announce an opening 2010/11 season payout forecast of $6.90-$7.10/kg of milk solids, higher than the current season's estimated payout of $6.40-$6.60. An expected increased payout, combined with drought-breaking rainfall during May, likely led to a boost in sentiment among dairy farmers. However, dairy prices look to have eased slightly, according to Fonterra's latest on-line auction held in early June. The average dairy price declined 3.5% following the small 0.8% decline in April.

Significantly, auction prices for products with delivery dates further out fell the most.

The prices of hard commodities, such as base metals, have fallen recently, as uncertainly has increased following a deepening of the European sovereign debt crisis. Consequently, recent falls in hard commodity prices may spread to commodities that New Zealand exports, such as dairy, in the coming months.

International data is showing strength...

Recent international economic data releases have been strong, showing the global recovery is gathering momentum. The strength has been led by industrial sectors, with the JP Morgan global manufacturing PMI showing the fastest expansion in six years. The strength is greatest in emerging Asia and Australia, which will benefit New Zealand as these countries make up over 50% of merchandise exports. The recovery has begun to flow through to labour markets with several countries, including Australia, Canada and the USA, experiencing employment growth. However, these releases generally lag recent developments.

...with world growth revised up

As a result of the stronger outlook the OECD revised its global growth forecasts upwards in its latest Economic Outlook in May from its previous November Outlook. They raised member country growth from 1.9% to 2.7% in 2010 and from 2.5% to 2.8% in 2011. World growth is forecast to be 4.6% in 2010 and 4.5% in 2011, with emerging economies set to grow faster than developed ones. On an individual country basis, these are similar to the Treasury's *Budget* 2010 forecasts, although both were finalised before latest market developments.

European debt worries intensify...

Developments in May have increased concerns about the sustainability of the recovery. The European sovereign debt problem has escalated, raising fears of sovereign debt restructuring or default. The countries most at risk appear to be Greece, Portugal, Spain and Ireland. To try and avoid a default the IMF and the EU approved a €110b loan package for Greece and a €720b financial aid package for any Euro area countries that may need it. The conditions of the loans call for fiscal cuts by the European countries and in response Greece, Portugal, Spain and Italy have passed austerity measures and the UK has followed suit.

Fears that these measures will derail the global recovery and the sovereign debt problem will spread to the banking system have arisen, with developments in markets highlighting growth worries and interbank interest rate rises showing banking system stresses. These countries are facing a difficult balance and lengthy challenges. While general fiscal consolidation is likely to constrain the global recovery, the consequences of not doing so would possibly be worse.

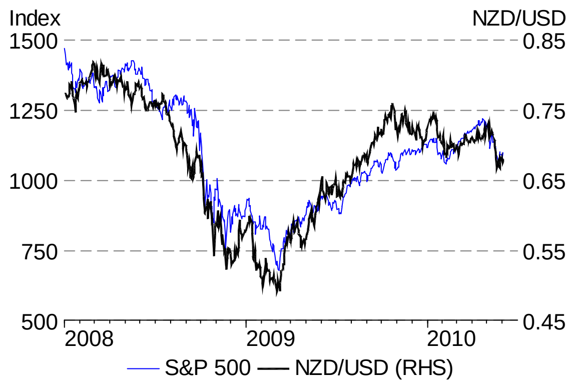
...and other global risks rise...

There are also other risks to the global recovery, including financial regulation, as well as the removal of monetary and fiscal stimulus. During May, the USA and Germany introduced financial market regulations which were interpreted negatively by markets and analysts worry that further regulation may contribute to a slowdown in growth. Some Asian economies, as well as Canada and Australia, have begun raising policy rates, with markets expecting New Zealand to follow in June. China has raised bank reserve requirement ratios and introduced property regulation in an effort to slow down the economy. If countries remove stimulus too quickly, especially developed ones, the pick-up in global growth may slow, as some economies are still being supported by stimulus measures.

...resulting in higher risk aversion

As a result, global risk appetite has fallen, as shown by increases in risk measures like the VIX (a measure of market volatility based on options on the S&P500) which rose 49% over the month. Risk assets have been hit hard with equities falling, shown by the S&P500 dropping 9% for the sharpest monthly decrease since February 2009 (F*igure 7)*, oil prices down 14% and the Australian dollar down 8% against the US dollar over May.

Figure 7 – US equity prices and NZD/USD



Source: DataStream

Funds have flowed into “safe-haven” assets with gold hitting a record high, and US and German Treasury ten-year government bond yields falling 42 and 39 basis points respectively. Overall, while economic indicators are looking strong, more forward-looking markets have shown weakness.

New Zealand has been affected

With risk concerns dominating markets, the New Zealand dollar (NZD) has reflected risk aversion again and has consequently fallen 7% against the US dollar over the month, as risk aversion rises (*Figure 7)*. Demand for New Zealand government bonds has benefited from European sovereign debt risk, with the ten-year yield falling 37 basis points over the month. Markets seem to suggest the New Zealand economy could be negatively affected by global developments but due to a relatively strong fiscal position the New Zealand government’s relative risk position does not seem to have been affected, with spreads to German and US bonds (“safe-havens”) relatively constant.

On the other hand CDS spreads (cost of insuring against bond default) on Australia’s big four banks rose on average 0.45% over May (largest rise since February 2008). Bank funding costs rose in May with the spread between the 90-day bank bill rate and the three-month NZ OIS (forecast of OCR) rising about 30bps to around 50bps. This is not nearly as large as the over 100bps spread at the height of the global financial crisis, but it is much higher than the pre- and post-crisis level of around 10-20bps.

Special Topic: The labour market adjustment in recessions

March’s *Household Labour Force Survey* showed that employment growth resumed in the final quarter of 2009. Based on the experience of previous recessions it was perhaps surprising that the fall in employment was not larger. This Special Topic considers whether the adoption of flexible working practices and a moderation in pay growth have helped to limit the fall in employment.

Employment and output in the recent recession

Output fell by almost 3½% during the recent recession bringing with it a fall in employment, but compared to the recession in 1997/98 it is perhaps surprising that the fall was not larger. In earlier recessions employment did not decline at all, which suggests that at least some of the fall in employment in the early 1990s represents a structural shift from an unsustainably high level of employment, rather than a response to a cyclical downturn (Table 1).

Table 1 – Output and employment during recessions

Percentage changes from peak to trough

	1970s	early 80s	early 90s**	late 90s	2000s
GDP	-4.2%	-3.2%	-3.4%	-1.5%	-3.4%
Employment	2.8%*	4.5%*	-8.0**	-1.3%	-2.5%

*eight quarters after the start of recession

**the GDP peak to trough refers to the fall in the first two quarters of 1991. GDP fluctuated around its 1986q3 level until 1992q4. Employment peaked in 1987q1.

Sources: Stats NZ, Motu

The smaller falls in employment in the two most recent recessions illustrates the way current economic structures support timely adjustment in wages and employment, which helps ensure that the economy as a whole returns to a sound base for sustained growth.

Why adjustment is necessary

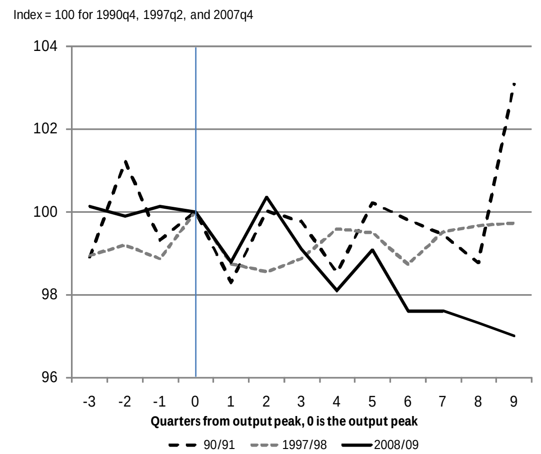
Falls in demand initially reduce firms’ sales and profits. If the lower level of demand is expected to persist, firms will want to reduce production in order to lower costs and restore the margins between input costs and sales revenue, ie profitability. For many firms, particularly those providing services, labour costs are a large part of total costs so it is likely that any squeeze on revenues will be offset, in large part, by a squeeze on labour costs. In the 1970s and early 1980s the fall in output did not flow through to reduced employment largely because government policy provided support to firms that helped offset falls in margins e.g. subsidies on non-labour inputs, and because a large proportion of the labour market was employed in the public sector, which did not have profit related goals. However, no economy can support large ongoing losses for ever and the eventual adjustment in employment was severe.

Firms can reduce labour costs by reducing the hours worked by employees and by reducing employee pay and benefits. However, there are likely to be limits to cost savings from this strategy. Reductions in overtime and bonus payments provide some flexibility but other parts of the wage bill may be less flexible e.g. changes in core hours. In more severe downturns, firms are likely to need to reduce the number of employees. But redundancy typically entails substantial costs and there is a risk that skilled staff will be hard to replace when demand returns. Lay-offs will therefore tend to be a last resort.

More flexible work and pay

The increased use of flexible working practices in 1997/98 and 2008/09, together with a moderation in wage and salary growth, seems to have helped limit the fall in employment. Average hours worked has fallen roughly in line with the fall in output in the two most recent recessions, which will have been associated with a significant reduction in costs (Fig 8). Some of the decline in average hours will reflect short-time working arrangements and temporary plant closures. Growth in part-time employment (less than 30 hours per week) has not been an important contributor to falling average hours in these recessions.

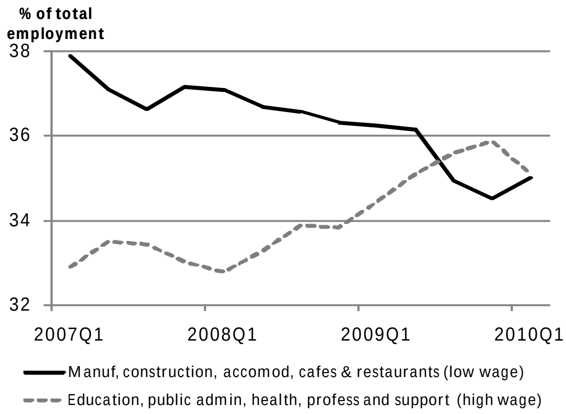
Figure 8 – Average hours worked



Source: Stats NZ – Household Labour Force Survey (HLFS)

Companies have also sought to constrain costs by limiting wage growth. Both the Quarterly Employment Survey (QES) and the Labour Cost Index show evidence of a sharp moderation in labour input cost growth. The QES shows annual growth in average hourly wages has moderated from a peak of 5.4% in 2008 to 2.2% in the latest quarter. However, shifts in industry employment shares suggest the QES may be understating the degree of wage restraint. Employment in industries with below average wages has been declining as a share of total employment, while the share of employment in industries with above average wages has been increasing (Fig 9).

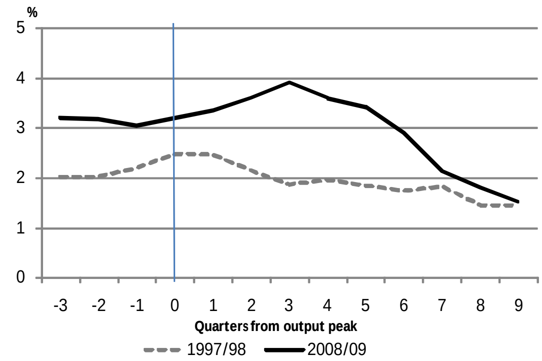
Figure 9 – Employment shares



Source: HLFS

The Labour Cost Index (LCI) provides a measure of firms' labour costs that holds constant the composition of employment and the quality of labour. Growth in the LCI has moderated markedly in recent quarters and from a much higher starting point than in 1997/98 (Fig 10)

Figure 10 – LCI wage inflation (annual % change)



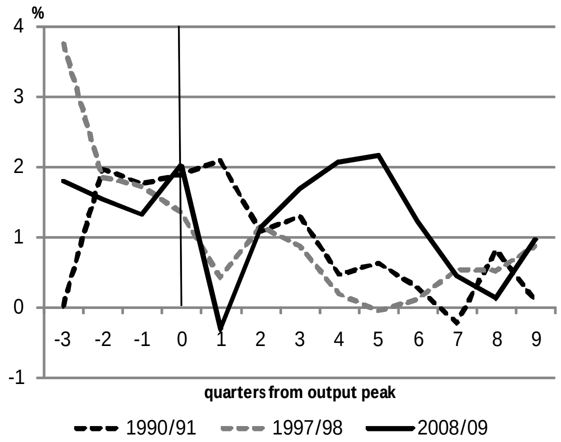
Source: Stats NZ - Labour Cost Index

The moderation in labour costs is reflected in changes to the distribution of annual wage movements. The LCI shows that 43% of salary and wage rates increased in the year to March 2010, compared with a peak of 62% in the September 2008 year. Of those salary and wages that increased in the year to March 2010, a quarter rose by over 3%, down from over 50% in 2008.

Supply side influences

The supply of labour has also continued to expand. The labour force has grown more strongly than the Treasury expected, and more strongly than in earlier downturns (Fig 11).

Figure 11 – Labour force growth (annual % change)



Source: HLFS

In the most recent recession the rise in unemployment did not lead to the expected exodus of workers from the labour market. The greater supply of workers is likely to have been a factor behind the decline in wage growth.

Conclusion

Overall, pay moderation and flexible working practices appear to have limited the adjustment in employment. Looking forward, earnings growth can be expected to pick up as average hours of work increase and employment growth strengthens.

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

4 June 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	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	0.7	-1.3	-0.5	-0.7	0.1	1.0
	ann % chg[1]	1.1	1.0	0.7	-0.9	-1.8	-2.4	-0.1
Unemployment rate	%[1]	4.3	4.6	5.1	5.9	6.5	7.1	6.0
Participation rate	%[1]	68.6	69.0	68.4	68.4	68.0	68.1	68.1
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	1.2	0.7	0.6	0.3	0.5	0.4	0.3
	ann % chg	3.9	3.6	3.4	2.9	2.1	1.8	1.5
LCI salary & wage rates - total (unadjusted)[5]	qtr % chg	1.7	1.4	0.8	0.6	0.9	0.5	0.5
	ann % chg	5.6	5.6	5.2	4.6	3.8	2.9	2.5
QES average hourly earnings - total[5]	qtr % chg	1.5	0.9	1.4	0.7	2.1	-0.2	-0.4
	ann % chg	5.5	5.4	5.3	4.5	5.1	4.0	2.2
Labour productivity[6]	ann ave % chg	1.5	0.2	-1.8	-1.4	-0.7	0.5	...
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

		2009M11	2009M12	2010M 1	2010M 2	2010M 3	2010M 4	2010M 5
External Sector								
Merchandise trade - exports	mth % chg[1]	4.2	4.1	11.1	-4.8	3.6	4.0	...
	ann % chg[1]	-16.8	-11.4	-0.8	-3.3	0.3	9.1	...
Merchandise trade - imports	mth % chg[1]	3.3	6.9	-3.6	5.8	2.0	-3.9	...
	ann % chg[1]	-21.6	-18.3	-11.0	1.4	-4.4	-0.3	...
Merchandise trade balance (12 month total)	NZ$ million	-863	-549	-176	-324	-172	161	...
Visitor arrivals	number[1]	201960	215960	210560	206210	207950	204150	...
Visitor departures	number[1]	200630	211760	219600	210180	207030	206210	...
Housing								
Dwelling consents - residential	mth % chg[1]	0.4	-3.8	-2.7	6.1	0.1	8.5	...
	ann % chg[1]	20.3	22.6	35.1	29.8	33.3	32.1	...
House sales - dwellings	mth % chg[1]	-9.1	-0.4	-16.9	10.4	1.4	3.0	...
	ann % chg[1]	41.7	14.8	-0.9	-3.6	-7.6	-16.7	...
REINZ - house price index	mth % chg	0.2	-0.9	-1.6	0.4	1.7	-0.4	...
	ann % chg	6.6	6.4	6.9	5.5	6.8	6.2	...
Private Consumption								
Core retail sales	mth % chg[1]	0.6	-1.9	0.1	-0.9	1.1	...	...
	ann % chg[1]	3.4	1.6	1.6	0.7	1.3	...	...
Total retail sales	mth % chg[1]	0.7	-0.4	0.6	-0.6	0.5	...	...
	ann % chg[1]	1.6	1.8	3.6	2.3	3.2	...	...
New car registrations	mth % chg[1]	2.5	6.9	-0.7	0.6	4.8	2.7	-3.7
	ann % chg	2.4	0.3	15.9	31.4	31.7	40.5	30.5
Electronic card transactions - total retail	mth % chg[1]	0.9	0.8	0.4	-0.5	2.0	-1.7	...
	ann % chg	1.8	4.7	3.8	3.5	6.1	4.0	...
Migration								
Permanent & long-term arrivals	number[1]	6950	7040	7090	6660	6820	6550	...
Permanent & long-term departures	number[1]	5210	5370	5260	5660	5850	5780	...
Net PLT migration (12 month total)	number	20021	21253	22588	21618	20973	19954	...
Commodity Prices								
Brent oil price	US$/Barrel	76.94	74.79	76.60	73.90	79.52	85.16	76.13
WTI oil price	US$/Barrel	77.97	74.63	78.42	76.31	81.24	84.50	73.84
ANZ NZ commodity price index	mth % chg	12.2	4.2	-1.3	7.8	0.4	4.2	2.9
	ann % chg	-7.7	2.5	5.7	11.7	16.0	24.3	29.6
ANZ world commodity price index	mth % chg	10.9	2.6	0.4	4.0	1.8	5.4	2.5
	ann % chg	18.2	31.0	37.4	49.8	50.9	55.1	54.5
Financial Markets								
NZD/USD	$[2]	0.7309	0.7162	0.7277	0.6974	0.7032	0.7123	0.6992
NZD/AUD	$[2]	0.7943	0.7929	0.7959	0.7868	0.7712	0.7685	0.8019
Trade weighted index (TWI)	June 1979 = 100[2]	65.20	64.70	66.10	64.60	65.10	66.10	67.00
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.80	2.78	2.78	2.73	2.67	2.69	2.89
10 year govt bond rate	%[2]	6.01	6.02	6.00	5.86	5.86	5.96	5.73
Confidence Indicators/Surveys								
National Bank - business confidence	net %	43.4	38.5	45.6	50.1	42.5	49.5	48.2
National Bank - activity outlook	net %	33.7	36.9	41.0	41.9	38.6	43.0	45.3
ANZ-Roy Morgan - consumer confidence	net %	121.5	118.6	131.4	123.6	121.8	121.9	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