Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

July 2010

Executive Summary

- **Inflation in June was weaker than expected, but will rise in coming quarters**
- **Domestic demand may be weaker than forecast in the *Budget* as consumers exercise restraint**
- **The continuing recovery in the world economy is supporting export prices and volumes**
- **On balance, we maintain our assessment that GDP growth will remain broadly in line with our *Budget* forecast**

Inflation in June was weaker than expected with the Consumers Price Index rising 0.3% in the quarter to be 1.8% higher than a year earlier. Excluding the effect of the increase in the tobacco excise rates in late April, quarterly inflation would have been only 0.1%, highlighting that domestic demand remains subdued.

Headline inflation is set to increase in coming quarters as one-off government charges, such as the 1 October GST rate rise, flow through to final prices. Firms' pricing intentions have lifted sharply in recent months, reflecting these government-related charges, but firms are likely to face difficulties passing on price rises in an environment of weak demand.

Business surveys revealed a pull-back in firms' outlook for their own activity, but are still consistent with ongoing, moderate growth.

In the face of high debt levels and weak income growth, households continue to exercise spending restraint. Consumers are holding back on discretionary spending, suggesting that private consumption will fall short of our *Budget* forecasts in the June quarter. Moreover, a softening housing market in the first half of 2010 will act as a drag on the pace of the recovery in residential investment in the second half of the year.

High international commodity prices and demand for New Zealand's main exports are supportive of ongoing growth in the export sector. A rise in the value of merchandise exports in the June quarter contributed to the second consecutive quarterly trade surplus, driven by higher volumes and prices for most of New Zealand's main export products.

World data released in July show that the pace of the world economic recovery may be easing, indicating a potential risk to NZ's export-led recovery. However, with NZ's trade being oriented towards Asia and Australia, strong economic growth recorded in these countries will help to boost exports over 2010. This month's special topic examines the recent growth of China and its implications for New Zealand.

While data released in July shows some downside risks to domestic demand, indicators point to ongoing strength in the exporting sector. Strong export growth is consistent with a reorientation of growth from consumption towards production and the tradables sector. We maintain our assessment that GDP growth will remain broadly in line with our *Budget* forecast.

Analysis

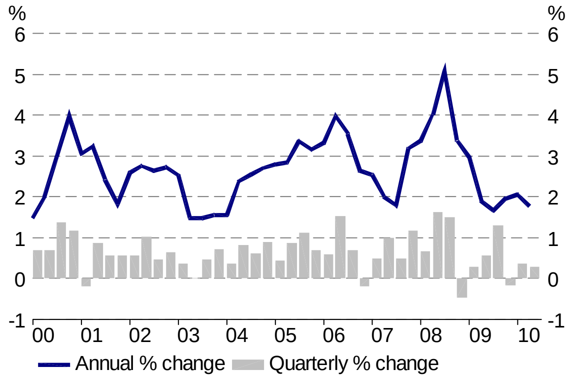
Data released in July show that growth in domestic demand remains muted. While indicators of domestic demand, such as retail sales and housing market activity, suggest downside risks to our *Budget* forecasts, conditions remain supportive of strong growth in the export sector. On balance, we consider that growth in output will be broadly in line with our *Budget* forecasts. Strong export growth is consistent with a reorientation of growth from consumption towards production and the tradables sector.

Excluding the effects of increased tobacco excise rates, underlying inflation pressures were weak in the second quarter. Although inflation is expected to rise in the near term, as government-related price increases flow though to retail prices, the current weak environment is likely to reduce firms' ability to pass on sustained price rises.

Inflation weaker than expected...

The Consumers Price Index (CPI) increased by 0.3% in the June quarter, to produce an annual inflation rate of 1.8% (*Figure 1*). Tobacco and cigarette prices were the largest contributors adding 0.2% points to second quarter inflation – resulting from the tobacco excise and excise-equivalent rate rises that occurred in late April. Excluding tobacco prices, June quarter inflation would have been only 0.1%, reflecting weak price pressures resulting from subdued demand.

Figure 1 – Quarterly and annual CPI



Source: Statistics NZ

...mainly owing to food and fuel prices

June quarter inflation was lower than the 0.7% forecast at the *Budget* update, mainly owing to significant falls in food and fuel prices since forecasts were finalised in mid April. The food group fell 0.9% largely due to lower prices for the fruit and vegetables (-2.6%), and meat, poultry and fish (-3.3%) subgroups. Food prices were 0.7% lower than the June 2009 quarter, reflecting a large increase in fresh produce prices in the second quarter of 2009 as a result of the weather. Although fuel prices were anticipated to be higher on average over the second quarter, the actual petrol price increase (+1.4%) was less than expected at the time the *Budget* forecasts were finalised.

The prices of goods exposed to foreign competition (i.e. tradables) were muted in the quarter, falling 0.1% to be only 1.1% higher than a year ago. Lower prices were evident for various imported durable goods, such as furniture, furnishings and floor coverings, new motor vehicles, vehicle parts and accessories, audio-visual and computing equipment. Lower prices for imported durable goods were the result of further pass-through of the 27% appreciation of the NZ dollar during 2009, leading to discounting by retailers in the face of otherwise weak demand.

In contrast, non-tradables prices increased 0.6% in the quarter to be 2.2% higher than in June 2009. However, higher tobacco prices, which are deemed non-tradable given taxes make up the majority of the retail price, contributed 0.4%pts to the quarterly rise. Ignoring tobacco prices, non-tradables inflation is currently well below levels seen in recent years, indicating domestic price pressures are muted in an environment of restrained demand. Higher electricity charges and rents were offset by price falls for various services such as accommodation (-5.3%), and telecommunications (-0.2%), helping to produce a flat underlying result.

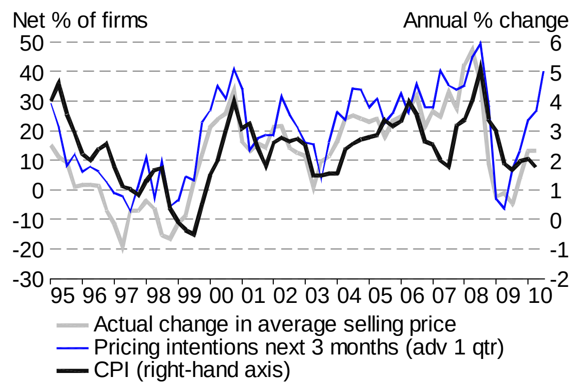
Inflation is set to rise in the near term...

Inflation is set to rise in coming quarters as one-off government-related price increases, such as the implementation of the Emissions Trading Scheme, increased ACC levies on car registration fees and the 1 October increase in GST, flow through to retail prices. Following the June quarter CPI release, we maintain our view that annual inflation will peak in the first half of 2011. However, inflation is now expected to peak at around 5½%, rather than close to 6% as expected in the *Budget*.

...signalled by firms' pricing intentions...

The NZIER's *Quarterly Survey of Business Opinion* (QSBO) also pointed to rising inflation in coming months, with a net 40% of firms signalling price rises in the third quarter, up from 27% in March and similar to levels seen in 2007. Anticipated price rises seem to be in part driven by increased employment of firms' productive capacity, as shown by the rebound in capacity utilisation in recent quarters. At 91%, however, capacity utilisation (CUBO) is at a similar level to March. To date, sharply rising pricing intentions have not been reflected in firms' price setting behaviour. While a net 27% of firms in the March quarter signalled rising prices in the June quarter of 2010, only a net 13% of firms actually increased their prices (*Figure 2*).

Figure 2 – Pricing intentions and inflation



Sources: NZIER, Statistics NZ

...as firms factor in higher government charges

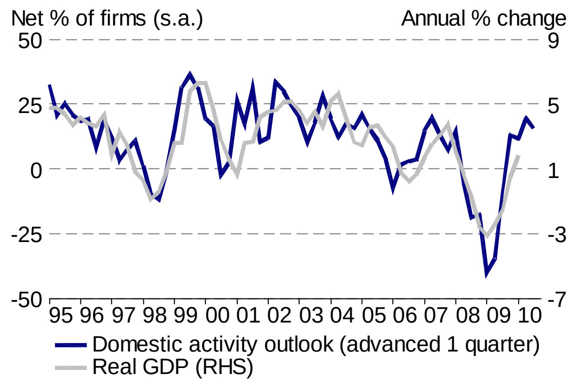
Signalled price increases appear to reflect firms' intended response to upcoming government-related price changes, rather than rising underlying inflation pressures. For instance, with only 6% of businesses noting capacity as their main constraint – comparable to levels seen in 1999 – the QSBO measure of capacity utilisation (capturing only manufacturers and builders) is likely to be overstating the capacity pressures in the economy. Furthermore, in an environment of weak demand, with 75% of respondents citing a lack of sales as the number one factor limiting turnover, it may be difficult for firms to raise their prices.

Business confidence affirms gradual recovery...

Consistent with other economic releases during July, headline QSBO business confidence fell just short of market expectations. A net 28% of firms were optimistic about the outlook for the NZ economy in the coming year, down from a net 34% in March. Nevertheless, the reading was the second highest since mid-1999, suggesting that the negative reaction to the survey overstated the downside implications for the economy.

Firms' expectations of domestic trading activity, which are more closely aligned with GDP than business confidence, declined slightly from early 2010, with a net 16% of firms expecting activity to rise in the coming three months. Firms' expectations of future activity are suggestive of an ongoing, albeit gradual, recovery (*Figure 3*).

Figure 3 – Own trading activity and GDP growth



Sources: NZIER, Statistics NZ

More recent business confidence readings, as shown by the *National Bank Business Outlook* survey, confirmed a pull-back in general sentiment, but still consistent with a gradual recovery in economic activity. Headline confidence declined for the third consecutive month, with a net 28% of firms expecting an improvement in business conditions in the coming year. Underlying gauges of sentiment declined, but remain at or above long-term average levels.

...supporting an increase in hiring

The QSBO survey suggested a strengthening labour market. A net 7% of firms reported they had cut staff in the second quarter, fewer than the net 15% recorded in March and far fewer than the net 34% reporting cuts in March quarter of 2009. Looking ahead, a net 1% of firms expect to increase staff over the coming quarter (down from 2% in March); the result is around long-run average levels, pointing to further expansion in employment. While businesses report that labour is becoming more difficult to find, only 5% of firms noted that labour is the main barrier to growth, indicating that wage growth will remain limited in the short term. Key labour market data will be released in the first week of August.

Domestic demand remains subdued, as consumers show restraint...

Facing high levels of debt and weak income growth, households continue to demonstrate spending restraint. Total retail sales rose 0.4% in May, offsetting the 0.3% contraction recorded in April. However, the rise in total retail sales was largely due to a 7.5% monthly increase in automotive sales. A rebound in motor vehicle sales is unsurprising given the extent to which car sales contracted during the recession and remain well below levels prior to the global financial crisis.

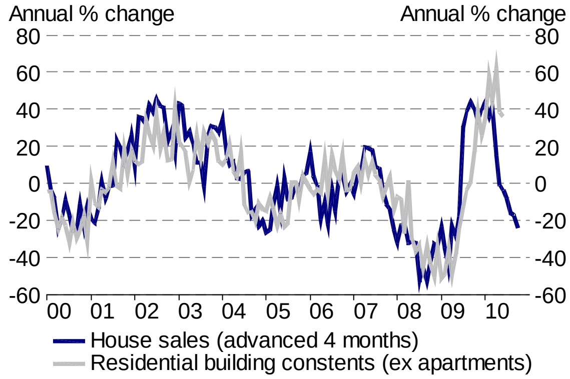
More importantly, once the volatile vehicle-related industries are removed, core retail sales contracted 0.2% in May. Recent muted growth in retail sales has been supported by spending at store types stocking necessities. For example, seasonally adjusted May supermarket and grocery, and clothing and softgoods sales are 1.7% and 4.9% higher since the start of the year respectively. Meanwhile, consumers seem to be holding back spending on goods that are more discretionary in nature. For instance, sales have fallen by around 3% or more at cafes, restaurants and liquor stores since the start of this year. Following on from weak private consumption growth in the March quarter GDP, recent retail sales data suggest that private consumption growth will fall short of our *Budget* forecast in the June quarter.

...and a soft housing market deters housing investment

After recovering from a substantial downturn in 2009, the housing market has softened during the first half of 2010. The sale of only 4,575 houses, reported by the *Real Estate Institute of New Zealand* (REINZ), represents a 24% fall in sales compared to June 2009. The seasonally adjusted median number of days to sell has inched higher in recent months, from a low of 34 in August 2009 to 44 days in June this year, suggesting that the supply of listed properties is currently outstripping demand. House prices were flat over the June quarter. With a degree of slack in the housing market, there is expected to be limited growth in house prices in coming months.

A subdued housing market highlights a downside risk to domestic demand. While there may be a flourish in construction activity leading up to the October rise in the GST rate, the general tone of weak sales activity is likely to act as a drag on the pace of the recovery in residential investment. The number of residential building consents (excluding apartments) increased 1.7% in June, lowering the annual increase to 36% (*Figure 4*).

Figure 4 – House sales and building consents



Sources: REINZ, Statistics NZ

Another factor that is likely to play a less supportive role in the recovery in residential investment, and therefore domestic demand, is the declining pace of net permanent and long-term (PLT) migration. The number of PLT arrivals fell in June and, combined with a largely unchanged number of departures, led to a seasonally adjusted inflow of only 70 migrants. Since January, annual net migration has reduced from 22,600 to 16,500 in June.

Reserve Bank continues to withdraw stimulus

In its review of the Official Cash Rate (OCR) at the end of July, the Reserve Bank acknowledged the subdued nature of domestic demand and that the outlook for the economy had softened somewhat. However, they still expect the economy to continue its recovery and inflation pressures to pick up. Accordingly they increased the OCR 25 basis points to 3.0%, but noted that the "pace and extent" of future increases are likely to be more moderate than previously projected.

Export sector underpins recovery...

While indicators of private consumption and residential investment point to weak domestic demand, conditions remain supportive of continued growth in the export sector. Commodity prices remain at high levels, which will help to boost incomes of exporters. Despite falling 13.7% in July, Fonterra's online dairy auction price index was 61% above July 2009. The July decline is part of increased volatility in dairy prices through 2010, and Fonterra's forecast milk payout of $6.60 per kg of milk solids for the 2010/11 season remains intact.

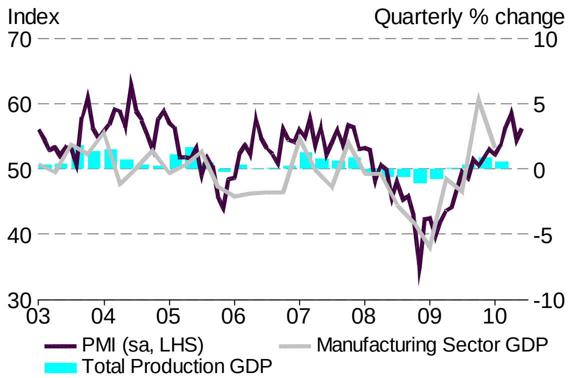
Demand for New Zealand's exports remains strong, as shown by a 6.8% rise in the values of merchandise exports in the June quarter, which helped to post the second quarterly merchandise surplus ($389 million) in a row. Higher prices and volumes of dairy, meat and forestry products led the rise in the value of exports. The growth in merchandise exports, which occurred during the recent uncertainty in world markets, points to stronger growth in export volumes and incomes than outlined in our *Budget* forecasts.

Although the value of merchandise imports grew almost 6% in the June quarter, imports remain well below the September 2008 peak. Importantly, imports of capital goods fell 1% in the quarter to similar levels recorded in 2003. Weak imports of capital goods seem to align with lacklustre investment intentions in confidence surveys, suggesting a risk to the expansion in New Zealand's productive capacity.

...supporting continued growth in production

The recovery being experienced by New Zealand's main trading partners continues to support growth in manufacturing and the primary sectors of the economy. The *BNZ-Business NZ Performance of Manufacturing Index* (PMI) rose 2.2 points to 56.2 in June, the tenth consecutive reading above 50 and indicating overall expansion. Consequently, manufacturing is expected to contribute positively to June quarter GDP (*Figure 5*).

Figure 5 – Manufacturing and GDP



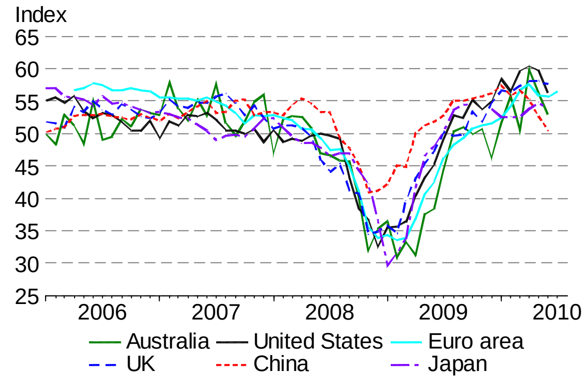
Sources: BNZ-Business NZ, Statistics NZ

The PMI is consistent with manufacturers' sentiment revealed in the QSBO. A net 30% of manufacturers expect improved business conditions in the coming year, substantially higher than the long-term average reading. When compared to soft domestic demand, rising manufacturing activity suggests the composition of growth is moving away from consumption and towards production and exporting. Nevertheless, recent world data suggest that the rate of recovery in the world economic may be easing, posing a potential risk to New Zealand's recovery.

World growth appears to be easing...

Manufacturing and service sector activity indicators have generally been falling globally (*Figure 6*), including in Australia, Canada, China, Japan and the USA, although most are still expansionary, pointing to an easing in economic growth in the second half of 2010 rather than a second global recession. The JP Morgan global PMI survey reinforced this, falling in June.

Figure 6 – Global manufacturing PMIs



Source: Datastream

Growth worries have shifted from concerns about a slowdown in Europe as a result of austerity measures to concerns about the US. The US labour market has not shown the growth in employment analysts had expected and which would be consistent with a strong recovery. Also, the housing market has shown renewed weakness, following the expiry of tax credits in April. In addition, industrial production, retail sales, inflation and consumer confidence have all disappointed, although not to double-dip levels.

China, which has led the world recovery, is showing signs of slowing with second quarter growth easing slightly. However, at an annual rate of 10.3%, growth is still very strong and the moderation decreases the chance of the economy overheating. Other indicators, including service and manufacturing PMIs, house and consumer price inflation and retail sales, point to moderating growth in the second half of 2010. Our special topic this month looks at China's recent growth and its implications for New Zealand, as well as the outlook for growth in the future.

...but the recovery continues...

Although there are signs of a slowing global economy in the second half of the year, the first half was stronger than anticipated. This was highlighted by UK June quarter GDP growth being almost twice as strong as market expectations. In addition, the Euro area economy does not seem to have been seriously affected by sovereign debt problems. Exporters, especially German, have benefited from the lower euro, resulting in strong industrial production and PMI surveys bucking the global trend by rising. Expectation-beating corporate earnings reports out of the US and Europe have also highlighted the more buoyant start to the year.

...especially in New Zealand's main trading partners

New Zealand's trade is becoming increasingly weighted towards Asia and Australia. Fortunately, this is the area of the world showing the fastest rate of growth. Our number one trading partner, Australia, continues its strong performance with significant employment gains and buoyant consumer and business confidence. Emerging Asian countries are significantly outperforming developed economies. Highlighting this performance, Singapore's real GDP grew 19.3% in the year to the June quarter. Also, India, Malaysia, South Korea and Thailand all increased their policy interest rates in July, in order to cool their surging economies.

Financial markets rally...

Throughout July financial markets staged a rally after falling away at the end of June, as risk appetites have increased. The improvement has been caused by better-than-expected corporate earnings reports from the US and Europe, strong government bond issuance alleviating European sovereign funding concerns and strong data out of Europe and Asia. World equities and oil have led the rally, with the MSCI world index up 9% and crude oil prices up over 5% from the beginning of the month. The New Zealand dollar (NZD) and Australian dollar (AUD) have strengthened with the lower risk aversion, rising 5% and 6% respectively against the US dollar in July, with the NZD and AUD hitting six-month and 10-week highs respectively. The euro has also risen on the strong bond issuance and positive market reaction to bank stress tests (discussed below).

...but banking concerns not fully resolved

Worries about the health of the European banking sector continued to play out in markets in July, with the three-month EURIBOR (euro interbank interest rate) hitting a one-year high of 0.89%. These concerns were alleviated somewhat by the release of European bank stress test results on 23 July. Seven of the 91 banks tested failed the capital-adequacy tests and will have to raise a combined €3.5b of capital. Both the number of bank failures and required capital-raising were less than expected, causing a generally positive market reaction with bank share prices rising, CDS spreads (the cost of insuring against default on debt) falling and the euro increasing.

Some commentators have questioned whether the tests were strict enough, as they did not include the implications of a sovereign debt default or restructure, only a temporary loss of government bond value, although all sovereign bond holdings were disclosed for others to do their own analysis. There were 17 banks which came close to failing the tests, although there have been indications these banks may raise around €25b in funds anyway, to help strengthen the banking sector.

Special Topic: The rise of China and its importance for New Zealand

The Chinese economy has undergone a period of rapid expansion in recent times, with real GDP growing close to 10% per annum, on average, over the last decade, peaking at 14% in 2007.

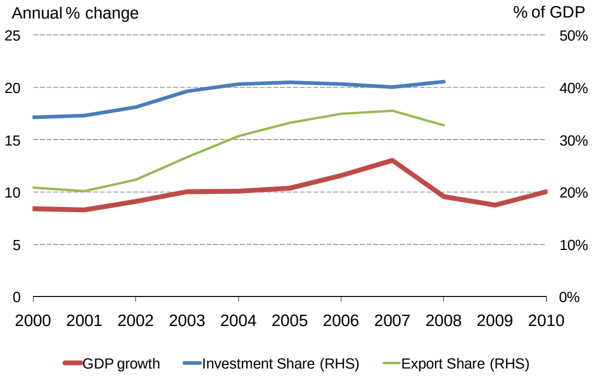
Over this period China's integration with the rest of the world developed, including establishing significant ties with New Zealand and our main trading partner Australia. While this growing exposure has provided significant benefits, it comes with risks if their economy were to slow.

China grew rapidly and became internationally integrated at the start of the decade...

In the early and mid-2000s China's trade with the rest of the world increased significantly, with merchandise exports averaging a 22% rise per annum between 2000 and 2008. The integration was helped by China joining the World Trade Organisation in 2001. Soaring exports resulted in large current account surpluses, peaking at 11.0% of GDP in 2007, and the build-up of the world's largest foreign exchange reserves.

At the same time, China has undergone a period of industrialisation, resulting in significant investment, especially in infrastructure, with investment rising from 34% of GDP in 2000 to 41% in 2008 (*Figure 7*). Surging exports and investment caused China to average 10% growth between 2000 and 2010 (F*igure 7*), resulting in real GDP being 140% larger than it was in 2000.

Figure 7 – China real GDP growth, and exports & investment share of GDP



Source: National Bureau of Statistics of China

… before being hit by the global financial crisis...

China's growth peaked at an annual rate of 14.0% in the first half of 2007, before slowing to 6.2% in Q1 2009. The slowdown was the result of a collapse in external demand due to the global financial crisis (GFC). The GFC resulted in recessions in most developed countries which import a large portion of Chinese manufactured products. At the same time as exports fell, the People's Bank of China (PBOC) raised interest rates and took measures to reduce credit growth.

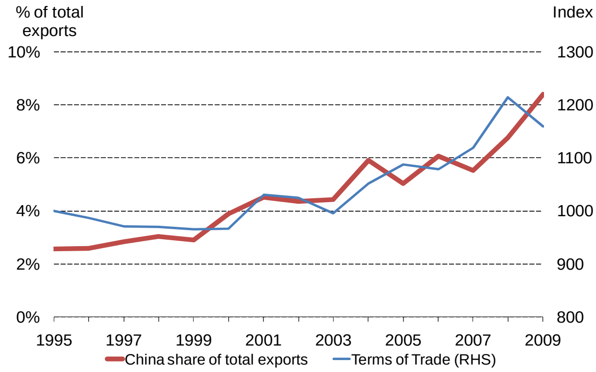
...then recovering with the help of stimulus

With external demand falling, the driving force of the economy switched to domestic spending, helped by the Chinese authorities providing substantial stimulus. The government undertook large amounts of infrastructure spending, which provided a boost to investment. Tax cuts and consumption subsidies resulted in growing private consumption. However, most of the rebound came through investment, with limited rebalancing towards private consumption. A later rebound in exports from the global recovery, along with the domestic pick-up, meant growth reached an annual rate of 11.9% in Q1 2010.

New Zealand has benefited significantly

China's growth and international integration have made the country increasingly important to the New Zealand economy, recently becoming our second largest trading partner. New Zealand exports to China were 4.6 times larger in 2009 than they were in 1999, increasing their share of total exports from 2.9% to 8.4% (*Figure 8*). Most of the export growth came from dairy products, as Chinese incomes rose, fuelling protein demand, and from logs, used as inputs into their investment spending. The export surge has been most pronounced since 2007, assisted by New Zealand becoming the first OECD country to sign a free-trade agreement with China in April 2008. China has also become an increasingly important market for our service exports, mainly tourism and education.

Figure 8 – Share of exports and NZ terms of trade



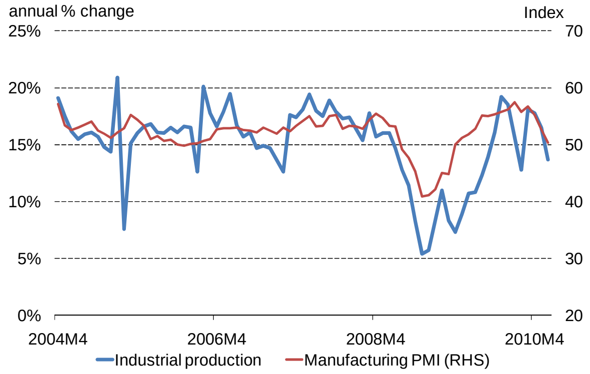
Source: Statistics New Zealand

The massive recent demand for New Zealand exports from China helped New Zealand weather the GFC better than most OECD economies and has helped result in record levels for our commodity prices in 2010. Elevated commodity prices have lifted the terms of trade to historical highs and boosted domestic incomes (*Figure 8*). China's growth was also positive for some of our major trading partners which export commodities and manufacturing inputs to China - mainly Australia and emerging Asia - providing indirect benefits to New Zealand.

There are signs of a slowdown...

China's annual growth in the June quarter of 2010 slowed to 10.3%, from its recent high of 11.9% in the first quarter. The drivers of the slowdown were moderating investment and industrial production; as stimulus measures began to fade, the housing market is cooling and government infrastructure spending is slowing. Indicators point to easing growth in the second half of 2010. Both service and manufacturing PMIs have been falling in recent months, but remain expansionary, suggesting that growth in economic activity will moderate later in the year (*Figure 9*). In addition, lower consumer and house price inflation suggest the economy is slowing.

Figure 9 – Industrial production and PMI



Source: National Bureau of Statistics of China

The latest Chinese trade data show that import growth is beginning to fall, led by commodity imports. This provides a risk for future exports from New Zealand and Australia to China. Also, the latest Fonterra auction and CBA Commodity Price Index suggest that New Zealand export prices may be easing, although still at high levels.

...and risks are present...

Some commentators are concerned about the development of asset price bubbles in the housing and equity markets as a result of the recent credit boom. House price growth peaked at an annual rate of 12.8% in April, but has since eased to 11.4% in June. While the Shanghai Composite share index had increased almost 100% between 2000 and the beginning of 2010, it has since fallen led by a 23% drop in the second quarter. The drop-back in asset prices has been partly the result of tighter monetary conditions, achieved through quantitative controls.

China's rapid recent growth was based on booming credit and significant investment spending. There are questions of the extent of bad debts arising from over-extension of credit and whether the investment growth can be maintained. Also, the expanding economy has put pressure on consumer prices and wages, which may pose a risk to future growth if drastic monetary tightening is required to ease inflationary pressures. Tightening has already seen the government limit lending growth in order to stop the economy from overheating.

On 19 June 2010 the PBOC announced the end of a two-year peg of the exchange rate to the US dollar (USD). The announcement allows for a slow rise against the USD over time, potentially helping global rebalancing, in the form of the Chinese economy shifting towards consumption and heavily-indebted countries (for example the US) away from consumption. However, the Yuan has only appreciated about 0.8% in the subsequent month, and forward contracts predict it will only rise less than two percent over the next year.

...but China will continue to lead the global recovery

Although growth is likely to slow further in the second half of 2010, it is likely to remain strong, with July Consensus forecasts predicting calendar year growth will be around 10% in 2010 and 9% in 2011. We will be doing further work on the sustainability of Chinese growth and its effect on Australia and New Zealand. However, at this stage, while there are risks surrounding the expansion of China, we do not expect any of them on their own to derail the economy in the near term, although there will be variability in the growth rate. Long term, the most likely scenario is strong growth, although at a lower rate than seen in the previous decade. This will provide ongoing benefits for New Zealand, as China continues to grow as a trading partner and its demand for our commodities and services remains strong.

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 July 2010

Quarterly Indicators

		2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	-1.1	-0.8	0.1	0.3	0.9	0.6	...
	ann ave % chg	-0.2	-1.5	-2.2	-2.4	-1.6	-0.4	...
Real private consumption	qtr % chg[1]	-0.3	-1.0	0.3	0.9	0.8	0.2	...
	ann ave % chg	-0.3	-1.1	-1.4	-1.1	-0.5	0.6	...
Real public consumption	qtr % chg[1]	1.6	0.2	-1.0	0.6	1.1	1.6	...
	ann ave % chg	4.8	4.2	3.0	2.6	1.6	1.4	...
Real residential investment	qtr % chg[1]	-14.4	0.5	-2.2	-3.9	4.7	0.6	...
	ann ave % chg	-18.2	-22.8	-24.4	-23.9	-16.8	-11.5	...
Real non-residential investment	qtr % chg[1]	-2.5	-7.8	2.5	-2.5	-3.0	0.9	...
	ann ave % chg	2.1	-1.2	-6.5	-8.6	-10.3	-8.9	...
Export volumes	qtr % chg[1]	-2.5	0.2	4.5	0.1	-0.7	1.4	...
	ann ave % chg	-1.4	-3.4	-4.1	-3.2	0.0	2.9	...
Import volumes	qtr % chg[1]	-7.4	-7.4	-2.9	1.5	5.8	1.8	...
	ann ave % chg	1.9	-4.7	-12.4	-16.5	-14.9	-9.6	...
Nominal GDP - expenditure basis	ann ave % chg	3.2	1.7	1.2	1.2	1.2	1.7	...
Real GDP per capita	ann ave % chg	-1.1	-2.4	-3.1	-3.4	-2.7	-1.6	...
Real Gross National Disposable Income	ann ave % chg	1.3	-1.0	-1.6	-1.3	-0.9	1.2	...
External Trade								
Current account balance (annual)	NZ$ millions	-15968	-14568	-10371	-5896	-5314	-4457	...
	% of GDP	-8.7	-7.9	-5.6	-3.2	-2.9	-2.4	...
Investment income balance (annual)	NZ$ millions	-13721	-13035	-10793	-8146	-8144	-7628	...
Merchandise terms of trade	qtr % chg	-1	-2.7	-9.4	-1.6	5.8	5.8	...
	ann % chg	1.8	-5	-13.5	-14.1	-8.2	-0.2	...
Prices								
CPI inflation	qtr % chg	-0.5	0.3	0.6	1.3	-0.2	0.4	0.3
	ann % chg	3.4	3.0	1.9	1.7	2.0	2.0	1.8
Tradable inflation	ann % chg	2.3	1.7	0.2	-0.1	1.5	2.0	1.1
Non-tradable inflation	ann % chg	4.3	3.8	3.3	3.0	2.3	2.1	2.2
GDP deflator	ann % chg	2.6	2.6	3.3	2.5	-0.1	1.0	...
Consumption deflator	ann % chg	4.1	3.9	3.0	2.0	1.3	1.0	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.7	-1.3	-0.5	-0.7	0.0	1.0	...
	ann % chg[1]	1.0	0.7	-0.9	-1.8	-2.4	-0.1	...
Unemployment rate	%[1]	4.6	5.1	5.9	6.5	7.1	6.0	...
Participation rate	%[1]	69.0	68.4	68.4	68.0	68.1	68.1	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.7	0.6	0.3	0.5	0.4	0.3	...
	ann % chg	3.6	3.4	2.9	2.1	1.8	1.5	...
LCI salary & wage rates - total (unadjusted)[5]	qtr % chg	1.4	0.8	0.6	0.9	0.5	0.5	...
	ann % chg	5.6	5.2	4.6	3.8	2.9	2.5	...
QES average hourly earnings - total[5]	qtr % chg	0.9	1.4	0.7	2.1	-0.2	-0.4	...
	ann % chg	5.4	5.3	4.5	5.1	4.0	2.2	...
Labour productivity[6]	ann ave % chg	0.2	-1.8	-1.4	-0.8	0.5	2.2	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	101	96	106	120	117	115	119
QSBO - general business situation[4]	net %	-64.4	-64.6	-24.8	35.6	30.7	21.9	17.5
QSBO - own activity outlook[4]	net %	-40.9	-38.7	-13.1	23.0	10.8	14.5	11.3

Monthly Indicators

		2010M 1	2010M 2	2010M 3	2010M 4	2010M 5	2010M 6	2010M 7
External Sector								
Merchandise trade - exports	mth % chg[1]	10.9	-5.0	3.9	3.3	-0.7	6.2	...
	ann % chg[1]	-0.9	-3.5	0.6	8.5	6.5	17.0	...
Merchandise trade - imports	mth % chg[1]	-3.4	6.3	2.2	-4.2	7.1	2.1	...
	ann % chg[1]	-11.0	1.5	-4.4	-0.7	12.6	-1.7	...
Merchandise trade balance (12 month total)	NZ$ million	-176	-330	-160	169	32	639	...
Visitor arrivals	number[1]	210380	206150	208260	204840	207150	207840	...
Visitor departures	number[1]	219420	210340	207250	206700	213270	206600	...
Housing								
Dwelling consents - residential	mth % chg[1]	-2.6	6.1	-0.2	8.6	-9.5	3.5	...
	ann % chg[1]	35.2	29.9	33.5	32.2	11.2	27.7	...
House sales - dwellings	mth % chg[1]	-17.7	11.2	1.3	2.7	-4.1	-4.0	...
	ann % chg[1]	-1.1	-3.7	-7.7	-16.8	-16.4	-24.2	...
REINZ - house price index	mth % chg	-1.6	0.4	1.7	-0.4	-1.4	0.6	...
	ann % chg	6.9	5.5	6.8	6.2	2.3	4.2	...
Private Consumption								
Core retail sales	mth % chg[1]	0.2	-0.7	1.2	-0.1	-0.2	...	...
	ann % chg[1]	1.6	0.7	1.5	1.3	-0.2	...	...
Total retail sales	mth % chg[1]	0.7	-0.5	0.6	-0.3	0.4	...	...
	ann % chg[1]	3.5	2.3	3.2	2.4	2.3	...	...
New car registrations	mth % chg[1]	-0.8	0.8	5.1	2.8	-3.6	6.0	...
	ann % chg	15.9	31.4	31.7	40.5	30.5	35.8	...
Electronic card transactions - total retail	mth % chg[1]	0.5	-0.5	2.2	-1.9	0.4	0.4	...
	ann % chg	3.8	3.5	6.1	4.0	2.3	4.3	...
Migration								
Permanent & long-term arrivals	number[1]	7100	6660	6810	6520	6360	6200	...
Permanent & long-term departures	number[1]	5250	5660	5860	5800	6130	6130	...
Net PLT migration (12 month total)	number	22588	21618	20973	19954	17967	16504	...
Commodity Prices								
Brent oil price	US$/Barrel	76.60	73.90	79.52	85.16	76.13	75.25	*74.98*
WTI oil price	US$/Barrel	78.42	76.31	81.24	84.50	73.84	75.35	*75.93*
ANZ NZ commodity price index	mth % chg	-1.3	7.8	0.4	4.2	3.5	-0.2	...
	ann % chg	5.7	11.7	16.0	24.3	30.3	37.3	...
ANZ world commodity price index	mth % chg	0.4	4.0	1.8	5.4	2.8	-1.2	...
	ann % chg	37.4	49.8	50.9	55.1	55.0	53.3	...
Financial Markets								
NZD/USD	$[2]	0.7277	0.6974	0.7032	0.7123	0.6992	0.6928	*0.7105*
NZD/AUD	$[2]	0.7959	0.7868	0.7712	0.7685	0.8019	0.8105	*0.8139*
Trade weighted index (TWI)	June 1979 = 100[2]	66.10	64.60	65.10	66.10	67.00	67.10	*67.21*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.75	3.00
90 day bank bill rate	%[2]	2.78	2.73	2.67	2.69	2.89	3.07	*3.23*
10 year govt bond rate	%[2]	6.00	5.86	5.86	5.96	5.73	5.51	*5.40*
Confidence Indicators/Surveys								
National Bank - business confidence	net %	45.7	50.1	42.5	49.5	48.2	40.2	27.9
National Bank - activity outlook	net %	41.0	41.9	38.6	43.0	45.3	38.5	32.4
ANZ-Roy Morgan - consumer confidence	net %	131.4	123.6	121.8	121.9	126	122	115.6

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