# Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

## October 2010

## Executive Summary

- **Domestic demand remains weak as households demonstrate restraint and business confidence falls**
- **Despite the weaker tone of data, future activity will be supported by high commodity prices, post-earthquake reconstruction, and the 2011 Rugby World Cup**
- **International policy developments took centre stage in October**

In the face of significant debt and general uncertainty, households have maintained a high degree of restraint, resulting in flat retail spending growth in August. Weak spending growth in the third quarter, along with increases in the price of goods (particularly food), point to growth in consumption falling short of *Budget* forecasts. The extent to which consumers have adjusted their spending behaviour lately is evident in the purchases of major household items, which remain well below pre-recession levels. Meanwhile, transactions on electronic cards temporarily spiked in September as consumers waited until the last minute to bring forward spending prior to the 1 October GST and fuel excise rate rises.

Subdued consumption partly reflects the fortunes of the housing market, which, after a brief period of recovery in 2009, has softened through 2010. House sales fell 6.7% in September, translating into a 0.7% fall in the house price index, which is 1.3% lower than a year ago. The soft housing market has put the brakes on households' demand for credit, with net additions to household credit at levels last seen in the early 1990s.

The strength of New Zealand's economic recovery was tested in September as the *Quarterly Survey of Business Opinion* measure of business confidence fell sharply. However, the sharp fall in headline confidence may have overplayed the degree of weakness in activity, as shown by a rebound in the more recent *National Bank Business Outlook* survey. Despite general weakness in data published in October, certain factors, such as high commodity prices, post-earthquake reconstruction in Canterbury and the Rugby World Cup are likely to support growth in 2011. Nevertheless, the *Half-Year Update* forecasts, currently being prepared, are likely to show a weaker level of economic activity over the forecast period relative to *Budget* forecasts.

Increases in food prices and government-related charges made significant contributions to the 1.1% rise in the September quarter CPI. The 1.5% annual rise in consumer prices represents the trough in the current cycle as further government charges, such as the GST rate rise, take effect in the December quarter. Although underlying inflation remained subdued in September, the relative stability of the exchange rate in early 2010 will reduce the likelihood that prices for imported goods will fall in the coming quarters.

Policy developments were the main focus internationally in October, with generally weaker data earlier in the month pointing to an increased likelihood that some developed countries would undertake further monetary policy easing. Positive international data released late in the month helped to increase commodity prices (the subject of this month's *Special Topic*) and commodity currencies such as the New Zealand dollar.

New Zealand Government

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# Analysis

Data released in October reinforced our view that households continue to consolidate their position by limiting spending growth and reducing their demand for debt. Despite last minute spending in the September quarter, as consumers brought forward spending to beat the GST rate rise, consumption remains weaker than our *Budget* forecast, contributing to a GDP outturn that is likely to fall short of our forecast. Meanwhile, weaker activity translated into subdued business sentiment pointing to muted growth in the coming year. However, while data in October had an overall weaker tone, factors such as high commodity prices, post-earthquake reconstruction in the Canterbury region and the Rugby World Cup are likely to support activity through 2011.

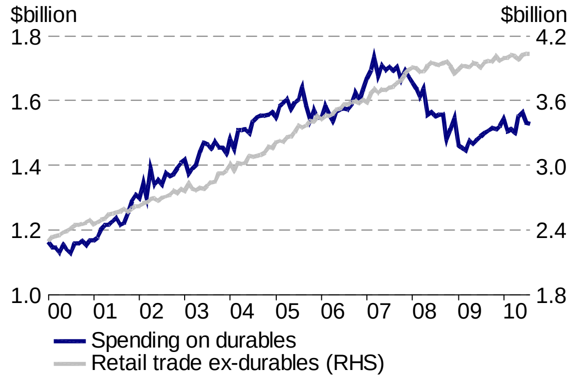
Policy developments drew the most attention internationally, as weaker data earlier in October created an expectation of further quantitative easing. Data released late in the month were more positive, supporting commodity prices (the subject of this month's *Special Topic*) and commodity currencies like the Kiwi dollar.

### Household spending remains soft...

Households continue to show restraint in the face of significant debt and general uncertainty, resulting in limited spending growth. The August retail trade survey showed that total sales, seasonally adjusted, remained largely unchanged from July and were only 2.3% higher than August last year – a substantially lower rate of growth than the average of the last decade. In addition, average nominal retail activity in July and August was only 0.3% higher than the average over the June quarter, suggesting underlying retail spending in the third quarter will be subdued. Given that the September quarter Consumers Price Index (CPI) signalled higher goods prices, underlying growth in sales volumes is also looking soft.

Flat sales in August were the result of an ongoing recovery in motor vehicle sales (+2.3%) in addition to higher fuel sales (+2.1%) being offset by a fall in core sales (-0.6%). The weakness in core sales was driven by hardware and appliance retailing. Recent restraint shown by households is illustrated by sales of durable goods, which have struggled to reach pre-recession levels. In contrast, spending on non-durable items, almost half of which represents purchases at supermarkets and petrol stations, has surpassed 2008 levels and continues to grow, albeit at a lower rate, to better match fundamentals such as population growth and inflation (*Figure 1*).

**Figure 1 – Durable and non-durable retail sales**

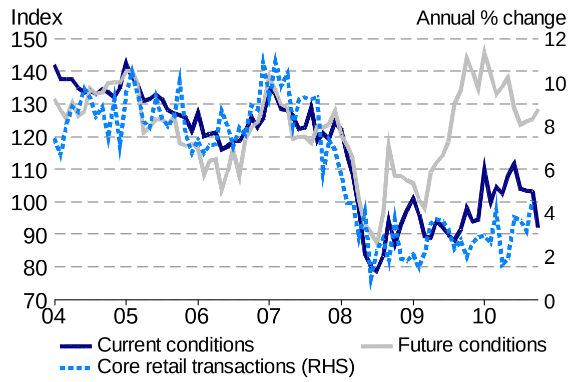



Source: Statistics NZ

### ...despite last minute purchases prior to GST rate rise

Consumers waited until the last minute to bring spending forward prior to the 1 October GST rate rise. Total retail Electronic Card Transactions (ECT) jumped a seasonally adjusted 1.5%, and core retail lifted 1.4% pointing to a rebound in retail sales in September. The boost in spending was concentrated on purchases of durable goods (+4.0), fuel (+2.9%) and consumables (+1.1%). While September ECT data indicate that pre-GST spending is likely to be less than anticipated at the *Budget,* ECT do not capture a large proportion of durable spending. The boost in spending is likely to be temporary, as suggested by the ANZ-Roy Morgan measure of consumers' current conditions.

**Figure 2 – Confidence and electronic cards**




Sources: ANZ-Roy Morgan, Statistics NZ

A net 7% of consumers (down 25pts) considered that October was not a good time to purchase a major household item, contributing to an 11 point fall in consumers' current conditions (*Figure 2*).

### Housing market contributing to soft spending...

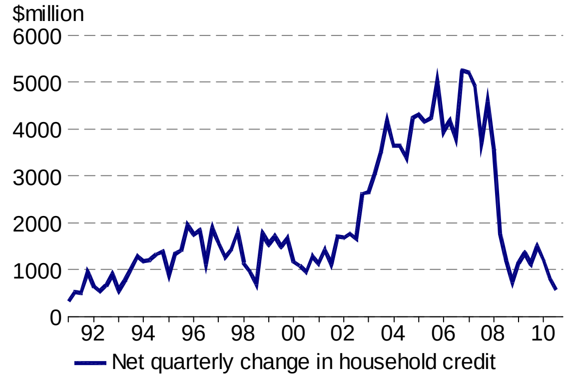
A subdued housing market is contributing to restrained household spending, as weakness in house prices limits the extent to which housing-related wealth contributes to consumption. For instance, the REINZ house price index fell 0.7% in September to be 1.3% lower than a year ago, the first annual decline since June last year. In addition, at $350,000, the median house price remained unchanged compared to a year ago.

The current weakness in housing market activity points to continued weakness in house prices. Subdued activity in the housing market is evident in the number of house sales, which fell a seasonally adjusted 6.7% to be 33% down on September 2009. However, the result was exaggerated by a sharp contraction in sales in the Canterbury region as a result of the 4 September earthquake. Nevertheless, national sales would still have declined in the month in the absence of the earthquake. Housing construction looks set to rise in Canterbury as investment intentions for residential building increased in the recent *National Bank Business Outlook* (NBBO) survey. Although headline confidence jumped in October, it was largely driven by sentiment from Canterbury.

### ...and lower demand for household credit

With housing market turnover nearing 2008 lows, demand for housing-related credit has followed suit. Moreover, stagnant house prices are reducing households' ability to access credit through equity withdrawal. The Reserve Bank of New Zealand's (RBNZ) credit aggregate data provides evidence that households are reducing their reliance on debt, with the net rise in total household debt (+$576 million) in the September quarter at levels last seen in the early 1990s (*Figure 3*).

**Figure 3 – Net change in household credit**

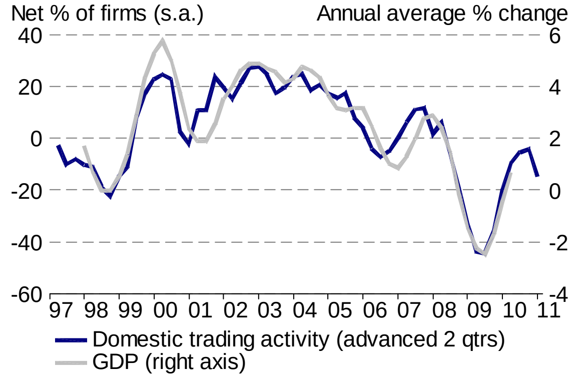



Source: RBNZ

### Business confidence illustrates fragility of the recovery...

The strength of New Zealand's economic recovery was sorely tested in September with business confidence, as reported by the *Quarterly Survey of Business* Opinion (QSBO), falling sharply. Headline confidence declined 27%pts, to reveal a net 9% of firms expect deteriorating conditions, and downbeat business sentiment was seen across all regions, industries and most activity measures. Moreover, firms continue to experience soft demand as shown by the 11 point fall in domestic trading activity in the September quarter pointing to lacklustre GDP growth in the coming year (*Figure 4*).

**Figure 4 – GDP and domestic trading activity**




Sources: NZIER, Statistics NZ

Weak business confidence was underpinned by deteriorating profitability, as a net 30% (-14%pts) of firms experienced lower profits and a net 14% expect weaker profitability ahead. The survey suggested that lower profitability is the result of lower sales, with 77% of firms reporting that sales remain the largest single factor limiting growth. In addition, weak domestic demand seems to be dampening firms' ability to pass on cost increases. While a net 38.5% (+3%pts) of firms expect to face higher costs, only 30.1% (-10%) expect to raise selling prices in the following quarter.

### ...but may overplay weakness of activity

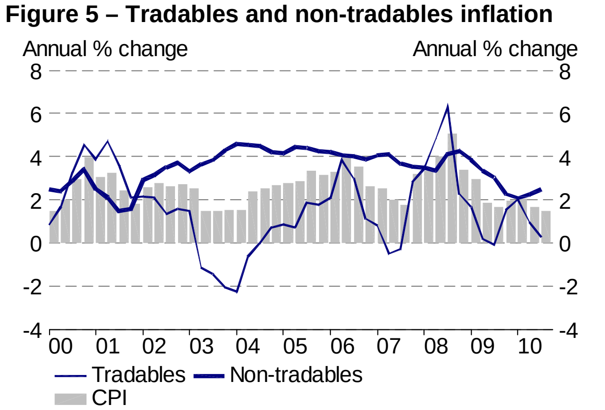
While the QSBO points to much softer GDP growth than expected at the *Budget*, movements in underlying measures were not as dramatic as headline confidence. For example, although actual hiring undertaken in the quarter was reported to have fallen, hiring intentions increased 4%pts in line with ongoing employment growth. Labour market data released in early November will confirm business hiring activity. In addition, the QSBO survey does not capture agriculture sector opinion. Despite adverse weather affecting Southland in September, farmers on the whole experienced better weather conditions in the third quarter compared to the drought-affected June quarter.

Unlike the more recent NBBO survey, the September QSBO survey is unlikely to have captured the full extent of the Canterbury earthquake, as well as expected future activity associated with the clean-up, even though responses were returned during September. For instance, although the response rate from Christchurch was significantly lower than usual, measures of sentiment were comparable to other regions. In addition, building intentions were marginally lower than those recorded in June.

### Food prices and government charges lift inflation...

Increases in food prices and the capture of government-related charges made significant contributions to the 1.1% rise in the September quarter CPI, in line with our *Budget* forecast. Food prices rose 2.4% in the quarter as adverse weather exaggerated the seasonal rise in vegetable prices, and past increases in commodity prices helped to lift the prices of groceries. Government-related charges, such as fuel and tobacco excises, ACC and local authority rates and costs associated with the Emissions Trading Scheme (ETS), also boosted the CPI, and contributed to the 1.2% quarterly rise in non-tradables prices – which were 2.5% higher than September 2009. Meanwhile, a fall in petrol prices, reflecting lower New Zealand dollar prices for oil and refined fuel, partly offset higher food prices resulting in tradables prices lifting 0.9% for the year (*Figure 5*).

**Figure 5 – Tradables and non-tradables inflation**




Source: Statistics NZ

### ...and annual inflation has reached a trough

The 1.5% annual rise in consumer prices will be the trough in the current cycle as further government-related charges, such as the change to GST, will be a key driver of December quarter inflation. And while underlying inflation remains subdued, with annual inflation in the September quarter (excluding government-related charges) around 1%, certain indicators point to stronger underlying inflation in coming quarters. For instance, price changes for most imported goods lag exchange rate movements by around 1-3 quarters. The exchange rate remained relatively stable over the first half of 2010, and as a result prices of imported goods are unlikely to fall by the extent seen in earlier quarters. Furthermore, inflation related to certain services, in particular rents, house construction and property maintenance, has begun to rise in recent quarters in line with tax changes and a gradual recovery.

### Despite soft data, certain factors are likely to support growth

Although economic data in October were generally soft, certain factors are likely to support growth in 2011. For instance, continued strong demand for New Zealand's main export commodities, largely from emerging markets, has enabled commodity prices to maintain relatively high levels through 2010. High export commodity prices have lifted New Zealand's terms of trade, leading to higher incomes for exporters, which will eventually flow through the economy. The ANZ commodity price index, in world price terms, rose 2.9% in September, partly offsetting three months of price falls, to be only 1% below May's record high. A slight appreciation in the currency was not large enough to offset world price rises, and New Zealand dollar prices rose 1.2%.

**Figure 6 – Short-term visitor arrivals**

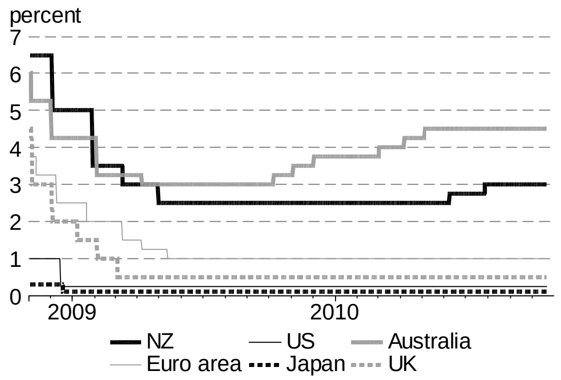

Source: Statistics NZ

Also, while the Canterbury earthquake has severely disrupted people's lives and damaged property, reconstruction work is expected to provide a boost to a construction industry that has plenty of spare capacity. Likewise, the 2011 Rugby World Cup is expected to add to economic growth by providing a boost to export services, as well as promoting New Zealand as a tourist destination to a large international audience. We anticipate a sizable jump in short-term visitor arrivals, akin to the rise in arrivals that coincided with the 2005 British and Irish Lions rugby tour (*Figure 6*).

**International policy developments draw attention**

Quantitative easing (QE), especially from the US but also Japan and the UK, has been the main focus globally in October. The Bank of Japan was the first to act by announcing ¥5trillion (US$60 billion) of QE, following the unsuccessful attempts to lower the Yen through intervention and after they effectively hit the zero interest rate bound (*Figure 7*). Markets have effectively priced in the fact the US Fed will announce a second round of QE at its November 2-3 meeting. Weak housing and labour market data, as well as officials' speeches have added to the expectations. However, recent more positive US data has led to markets reducing the size of expected QE. The US is expected to use QE as a last resort as they have little scope to reduce interest rates, and inflation (too low) and unemployment (too high) are not consistent with the Fed's targets.

**Figure 7 – Central bank policy rates**




Sources: Reserve Bank, Datastream

There has also been talk of the Bank of England expanding its asset purchasing programme, although this may now be less likely after a strong September quarter GDP release (see below). The extent of the impact of a second round of QE is uncertain, especially with it largely priced in, but it should remove some of the downside risk of a severe slowdown in advanced economies.

In contrast to talk of monetary policy easing in advanced economies, China is currently in a tightening cycle. In order to try to slow lending growth and control inflation, the People's Bank of China temporarily increased the reserve requirement ratio for large banks and increased benchmark interest rates by 25 basis points. This came on the back of the economy slowing less than expected. Third quarter GDP growth held up above the market's pick, while September activity data shows growth continues to be strong.

The strength of currencies internationally has also been the subject of much discussion. The US has renewed calls for China to allow for a faster appreciation of the Yuan, following on from the US-China trade deficit reaching a record high. The artificially low currencies in some developing countries are said to increase global imbalances. The G20 commented on the issue, stating that member countries will "refrain from competitive devaluation of currencies" and "move towards more market-determined exchange rates". Thailand and Brazil added to the developing countries trying to manipulate their currency by introducing taxes on foreign capital flows.

**Some data looking more positive...**

The UK and Euro area look to be in stronger positions heading into the period of severe austerity measures, which the UK government announced would see spending cuts up to 4.5% of GDP through to 2015. UK third quarter GDP rose 0.8%, double the market pick, taking annual growth to 2.8%. Industrial production and service sector indicators suggest Euro area September quarter GDP also has some upside. In addition, there have been positive signs out of the US with the service ISM, and retail and house sales better than anticipated.

**...helping support commodities and commodity currencies**

QE expectations and improving data have helped the CRB commodity price index to hit a two-year high. This month's *Special Topic* discusses the resurgence of commodity prices and what it means for the New Zealand economy. The higher commodity prices and a weaker US dollar (USD) from the anticipation of further QE from the Fed, have supported commodity currencies. The Australian dollar briefly hit parity with the USD (a post-float high) and the New Zealand dollar (NZD) hit a one-year high against the USD. The NZD is at historically-high levels against most currencies, with the AUD and the Yen being the major exceptions.

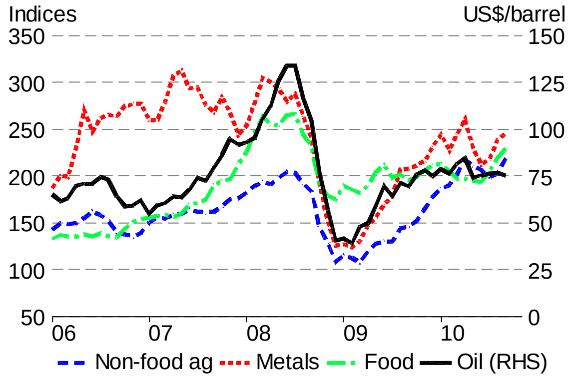
## Special Topic: Recent trends in commodity prices and their implications

World prices for a range of commodities, from corn to copper to cotton, have reached high levels in the past month. This lift in prices extended to New Zealand's export commodity basket, with the ANZ Commodity Price Index close to regaining its peak in May this year which exceeded the level it reached in mid-2008 before the global financial crisis (GFC). This article looks at the main factors behind these price increases and their broad implications for the New Zealand economy.

### General lift in commodity prices

Commodities can be divided into four broad groups: energy, metals, non-food agricultural and food or soft commodities. In the past few months, prices for all four groups have moved up, although for different reasons in some cases. Price movements for these four groups are illustrated in Figure 8, with oil representing energy.

**Figure 8 – World commodity prices (in USD)**




Source: The Economist, DataStream

### Oil prices rise on increased global demand

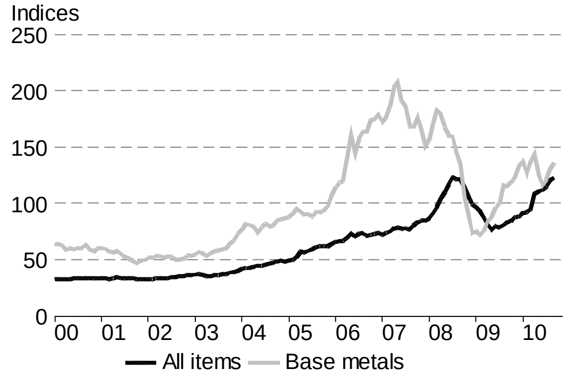
Oil prices are often taken as an indicator of economic prospects. They recovered from their lows in early 2009 and have risen above $80 recently. This recovery reflects the stronger than expected growth in the world economy, particularly in developing economies whose growth is energy-intensive. Oil demand in China expanded 14% in the first half of 2010. Developed economy demand has also been particularly strong this year.

Supply has expanded almost in step as a result of higher prices and previous investment, but not sufficiently to prevent some rundown in oil stocks, supporting further increases in price as indicated by oil futures pricing. Although oil accounted for 5% of goods exports in the year to June 2010, New Zealand is still a net oil importer and so higher oil prices reduce the terms of trade.

### Metal prices rebound with China's stimulus

In recent years, metals prices have been the stand-out performers of the commodity markets. Prices were already at a high level throughout 2006 - 2008. This is illustrated in the Reserve Bank of Australia's commodity price index, which is dominated by mineral resources (*Figure 9*).

**Figure 9 – Australian commodity prices (in USD)**




Source: RBA

The resurgence in metal prices in the past two years has been led by the renewed demand from China as it implemented its fiscal stimulus directed at infrastructure projects. The IMF[1] considers that metal prices will remain high for some time to come as the cycles are typically longer than for some other commodities given the lags from high prices to exploration, discovery and finally production. The long- term outlook for demand is also positive with China and India expected to continue to invest heavily in infrastructure.

### Grains prices driven by strong demand …

Prices for food commodities have not increased as much as some other commodities, but they did not fall as far following the GFC. Price increases have been concentrated in crops and reflect supply factors as well as increases in demand, particularly from China. Wheat prices peaked earlier in the year as drought hit Russian production and an export ban was imposed; floods in Pakistan and Canada also curtailed supply and drove prices up. More recently, a downward revision of corn yields in the US, combined with ongoing high demand from China, took corn prices to their highest level in two years. Low stock levels have limited markets' capacity to absorb supply shocks from weather events.

[1] World Economic Outlook, October 2010, p.51-53

**… pushing dairy and meat prices higher**

Grain prices are pushing up other agricultural prices through their use as stock feed, particularly in the US dairy and beef industries. World dairy prices recovered strongly in September and consolidated in October at around US$3,500 for whole milk powder on Fonterra's on-line auction. Prices are likely to remain firm as expected increases in production for most exporting countries are offset by ongoing robust demand from China, India and the Middle East. Fonterra reaffirmed its forecast payout of NZ$6.60/kg for the 2010/11 season, up 50c from last season.

Beef prices have also lifted in the US as a result of the higher feed costs, combined with low stock levels. Production is likely to be limited in the coming year, giving a positive outlook for prices. Declining availability of lamb has maintained international prices at high levels, especially in the UK. The snowstorms in Southland in September will further reduce NZ supply and maintain upward pressure on prices but not sufficiently to compensate for stock losses.

**Non-food agricultural prices also rising**

Cotton prices have recently soared to US$1.30/pd, their highest ever recorded level. Reduced production resulting from weather events and substitution to more profitable food crops, combined with rapidly growing demand from China and India (the world's largest cotton consumers) and low stock levels, have led to the very high prices. This is being reflected in prices for wool, with NZ crossbred prices up 50% since May on increased demand and reduced supply.

Forestry is also included in this category and world prices have increased rapidly with high demand from China for logs as part of its infrastructure investment; prices are also being supported by Russia's 25% tax on log exports. NZ forestry prices have eased from their peak in May this year, but are up 20% from a year ago.

**Developing economies a common factor …**

Although there are specific factors influencing prices for individual commodities, there are also common factors affecting commodity prices in general. One recurrent theme in the discussion above was the increase in demand from developing economies, especially China. The recovery in the world economy in the first half of 2010 is a major driver of the recent recovery in commodity prices, but the rapid rates of growth in emerging economies, their rising market share in the global economy, huge populations and large potential for growth make them a major force in commodity markets.

The generally higher world commodity prices in the past decade reflect the increasing importance of the emerging economies. The outlook is positive for commodity prices as these economies continue to grow at a faster rate than the major developed economies and income levels rise.

**.. and macro drivers are also relevant …**

There are other macroeconomic factors common to all commodity markets which are also providing support for prices at present. As most commodity prices are quoted in US dollars, the weakness of the greenback is a factor explaining some of the increases in nominal terms. Price increases may not be as great in end-user terms, nor in the currencies of producers if they have appreciated against the US dollar, as the NZ dollar has.

One of the main factors in the weakness of the US dollar has been loose monetary policy, both the provision of liquidity at the time of the global financial crisis and the exceptionally low interest rates. The anticipation of further quantitative easing (QE) in the US is also likely to be a factor in the recent increases in some commodity prices. The transmission mechanism can operate in a number of ways: QE acts to lower interest rates thus making borrowing cheap and also encouraging investors to seek higher yields in other investment classes. QE is also likely to lead to higher inflation and so investors may seek a hedge against that in commodities such as gold.

**… compounded by extreme weather events**

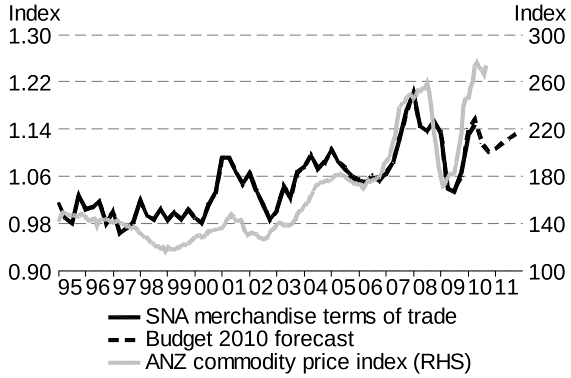
There is also a pattern of commodity markets being affected by extreme weather events. Such events have an exaggerated effect when stocks are already low and demand is strong, as is the case for many commodities at present. An extreme La Nina weather pattern is emerging which could affect New Zealand production levels in the current season; the 2008 drought in New Zealand was the result of La Nina conditions. On the positive side, the Australian drought has broken, boosting agricultural production.

**Higher prices are positive for New Zealand**

Higher commodity prices are positive in net terms for the New Zealand economy as they lead to higher terms of trade which lift incomes for commodity exporters and the economy as a whole, leading to higher nominal GDP (*Figure 10*).

The flow-through to the rest of the economy may be less in the current environment as farmers reduce debt rather than increase spending. Higher commodity prices will also boost the surplus on merchandise trade, offsetting some of the deficit on investment income flows and reducing the deficit on the balance of payments.

**Figure 10 – New Zealand commodity prices and terms of trade**




Source: Statistics NZ, ANZ

Higher commodity prices are also likely to lead to a stronger NZ dollar, holding all else equal. The stronger currency acts as a buffer smoothing out some of the variation in international prices. However, it also acts as a brake on those export industries not enjoying high international prices, but it brings greater international purchasing power to all in the economy, including consumers, by making imports cheaper.

The higher world prices for minerals have led to a mining boom in Australia, New Zealand's major trading partner. A strongly performing Australian economy is beneficial for New Zealand in terms of goods and services exports. Because Australia is enjoying a greater commodity boom than New Zealand at present, the NZ dollar remains relatively low against the Australian dollar, supporting exports to that market.

On the negative side, higher world prices for commodities are likely to result in higher inflation as the prices of those goods rise in New Zealand; dairy product prices have already reflected some of the international price increases and increases for other foodstuffs and products are likely.

*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

29 October 2010

## Quarterly Indicators

| | | 2009Q1 | 2009Q2 | 2009Q3 | 2009Q4 | 2010Q1 | 2010Q2 | 2010Q3 |
|---|---|---|---|---|---|---|---|---|
| **Gross Domestic Product (GDP)** | | | | | | | | |
| Real production GDP | qtr % chg[1] | -0.9 | 0.1 | 0.2 | 1.0 | 0.5 | 0.2 | ... |
| | ann ave % chg | -1.5 | -2.3 | -2.5 | -1.7 | -0.4 | 0.7 | ... |
| Real private consumption | qtr % chg[1] | -1.0 | 0.3 | 0.9 | 0.9 | 0.4 | 0.1 | ... |
| | ann ave % chg | -1.2 | -1.5 | -1.3 | -0.6 | 0.6 | 1.5 | ... |
| Real public consumption | qtr % chg[1] | 0.1 | -1.0 | 0.4 | 1.1 | 1.7 | 0.5 | ... |
| | ann ave % chg | 4.4 | 3.1 | 2.5 | 1.4 | 1.1 | 2.0 | ... |
| Real residential investment | qtr % chg[1] | 1.3 | -3.4 | -3.5 | 4.8 | 1.4 | 11.1 | ... |
| | ann ave % chg | -22.8 | -24.4 | -23.9 | -16.8 | -11.5 | -2.7 | ... |
| Real non-residential investment | qtr % chg[1] | -7.2 | 0.8 | -2.3 | -1.8 | -0.3 | 4.7 | ... |
| | ann ave % chg | -1.1 | -6.4 | -8.6 | -10.2 | -9.2 | -6.5 | ... |
| Export volumes | qtr % chg[1] | 0.3 | 3.9 | 0.7 | -0.4 | 1.2 | 1.3 | ... |
| | ann ave % chg | -3.0 | -3.6 | -2.7 | 0.4 | 3.2 | 4.0 | ... |
| Import volumes | qtr % chg[1] | -7.4 | -2.6 | 1.4 | 5.8 | 1.6 | 0.6 | ... |
| | ann ave % chg | -4.3 | -12.1 | -16.2 | -14.8 | -9.5 | -1.6 | ... |
| Nominal GDP - expenditure basis | ann ave % chg | 1.7 | 1.1 | 1.1 | 1.2 | 1.8 | 2.6 | ... |
| Real GDP per capita | ann ave % chg | -2.4 | -3.2 | -3.5 | -2.8 | -1.6 | -0.6 | ... |
| Real Gross National Disposable Income | ann ave % chg | -0.9 | -1.5 | -1.2 | -0.8 | 1.2 | 1.4 | ... |
| **External Trade** | | | | | | | | |
| Current account balance (annual) | NZ$ millions | -14723 | -10522 | -5946 | -5204 | -4458 | -5600 | ... |
| | % of GDP | -8.0 | -5.7 | -3.2 | -2.8 | -2.4 | -3.0 | ... |
| Investment income balance (annual) | NZ$ millions | -12999 | -10794 | -8059 | -7930 | -7627 | -8909 | ... |
| Merchandise terms of trade | qtr % chg | -2.7 | -9.4 | -1.6 | 5.8 | 6.1 | 2.0 | ... |
| | ann % chg | -5.0 | -13.5 | -14.1 | -8.2 | 0.1 | 12.7 | ... |
| **Prices** | | | | | | | | |
| CPI inflation | qtr % chg | 0.3 | 0.6 | 1.3 | -0.2 | 0.4 | 0.2 | 1.1 |
| | ann % chg | 3.0 | 1.9 | 1.7 | 2.0 | 2.0 | 1.7 | 1.5 |
| Tradable inflation | ann % chg | 1.7 | 0.2 | -0.1 | 1.5 | 2.0 | 1.0 | 0.3 |
| Non-tradable inflation | ann % chg | 3.8 | 3.3 | 3.0 | 2.3 | 2.1 | 2.2 | 2.5 |
| GDP deflator | ann % chg | 2.6 | 3.3 | 2.3 | 0.1 | 1.0 | 2.3 | ... |
| Consumption deflator | ann % chg | 3.8 | 3.0 | 2.0 | 1.2 | 1.0 | 0.8 | ... |
| **Labour Market** | | | | | | | | |
| Employment (HLFS) | qtr % chg[1] | -1.3 | -0.3 | -0.8 | 0.0 | 1.0 | -0.3 | ... |
| | ann % chg[1] | 0.8 | -0.9 | -1.8 | -2.4 | -0.1 | 0.0 | ... |
| Unemployment rate | %[1] | 5.1 | 5.9 | 6.5 | 7.1 | 6.0 | 6.8 | ... |
| Participation rate | %[1] | 68.4 | 68.4 | 68.0 | 68.1 | 68.0 | 68.0 | ... |
| LCI salary & wage rates - total (adjusted)[5] | qtr % chg | 0.6 | 0.3 | 0.5 | 0.4 | 0.3 | 0.4 | ... |
| | ann % chg | 3.4 | 2.9 | 2.1 | 1.8 | 1.5 | 1.6 | ... |
| LCI salary & wage rates - total (unadjusted)[5] | qtr % chg | 0.8 | 0.6 | 0.9 | 0.5 | 0.5 | 1.0 | ... |
| | ann % chg | 5.2 | 4.6 | 3.8 | 2.9 | 2.5 | 2.9 | ... |
| QES average hourly earnings - total[5] | qtr % chg | 1.4 | 0.7 | 2.1 | -0.2 | -0.4 | 0.7 | ... |
| | ann % chg | 5.3 | 4.5 | 5.1 | 4.0 | 2.2 | 2.2 | ... |
| Labour productivity[6] | ann ave % chg | -1.8 | -1.4 | -0.8 | 0.4 | 2.3 | 2.2 | ... |
| **Confidence Indicators/Surveys** | | | | | | | | |
| WMM - consumer confidence[3] | Index | 96 | 106 | 120 | 117 | 115 | 119 | 114 |
| QSBO - general business situation[4] | net % | -64.6 | -24.8 | 35.6 | 30.7 | 21.9 | 17.5 | 6.4 |
| QSBO - own activity outlook[4] | net % | -38.7 | -13.1 | 23.0 | 10.8 | 14.5 | 11.3 | 9.5 |

# Monthly Indicators

| | | 2010M 4 | 2010M 5 | 2010M 6 | 2010M 7 | 2010M 8 | 2010M 9 | 2010M10 |
|---|---|---|---|---|---|---|---|---|
| **External Sector** | | | | | | | | |
| Merchandise trade - exports | mth % chg[1] | 3.4 | -1.1 | 5.9 | -3.1 | -2.5 | -3.3 | ... |
| | ann % chg[1] | 8.7 | 6.4 | 17.1 | 12.4 | 15.0 | 12.4 | ... |
| Merchandise trade - imports | mth % chg[1] | -5.3 | 7.0 | 2.2 | -1.2 | -6.2 | 3.8 | ... |
| | ann % chg[1] | -0.7 | 12.5 | -0.1 | 11.9 | 3.2 | 8.7 | ... |
| Merchandise trade balance (12 month total) | NZ$ million | 178 | 41 | 593 | 589 | 892 | 921 | ... |
| Visitor arrivals | number[1] | 205010 | 207630 | 209730 | 212460 | 213880 | 215820 | ... |
| Visitor departures | number[1] | 207170 | 214080 | 207780 | 216620 | 214900 | 211370 | ... |
| **Housing** | | | | | | | | |
| Dwelling consents - residential | mth % chg[1] | 8.4 | -10.1 | 2.0 | 3.0 | -17.9 | 0.6 | ... |
| | ann % chg[1] | 32.6 | 11.5 | 26.6 | 26.1 | -3.1 | -9.5 | ... |
| House sales - dwellings | mth % chg[1] | 2.4 | -4.9 | -4.3 | -1.0 | -3.5 | -6.7 | ... |
| | ann % chg[1] | -16.8 | -16.5 | -24.2 | -27.1 | -27.1 | -33.3 | ... |
| REINZ - house price index | mth % chg | -0.4 | -1.4 | 0.6 | -1.2 | 0.3 | -0.3 | ... |
| | ann % chg | 6.2 | 2.3 | 4.2 | 1.8 | 0.9 | -1.3 | ... |
| **Private Consumption** | | | | | | | | |
| Core retail sales | mth % chg[1] | -0.1 | -0.2 | 1.5 | -0.1 | -0.6 | ... | ... |
| | ann % chg[1] | 1.4 | -0.2 | 1.8 | 2.2 | 0.1 | ... | ... |
| Total retail sales | mth % chg[1] | -0.3 | 0.3 | 1.0 | -0.5 | 0.0 | ... | ... |
| | ann % chg[1] | 2.4 | 2.2 | 3.2 | 3.1 | 1.9 | ... | ... |
| New car registrations | mth % chg[1] | 2.4 | -3.8 | 5.6 | -6.4 | 0.0 | 2.4 | ... |
| | ann % chg | 40.5 | 30.5 | 35.8 | 16.0 | 19.0 | 19.2 | ... |
| Electronic card transactions - total retail | mth % chg[1] | -1.8 | 0.3 | 0.4 | -0.1 | -0.1 | 1.5 | ... |
| | ann % chg | 4.0 | 2.3 | 4.3 | 4.4 | 2.2 | 5.1 | ... |
| **Migration** | | | | | | | | |
| Permanent & long-term arrivals | number[1] | 6550 | 6440 | 6340 | 6960 | 6990 | 7230 | ... |
| Permanent & long-term departures | number[1] | 5800 | 6100 | 6100 | 6050 | 6110 | 6160 | ... |
| Net PLT migration (12 month total) | number | 19954 | 17967 | 16504 | 15221 | 14507 | 13914 | ... |
| **Commodity Prices** | | | | | | | | |
| Brent oil price | US$/Barrel | 85.16 | 76.13 | 75.25 | 75.19 | 76.89 | 77.94 | *83.46* |
| WTI oil price | US$/Barrel | 84.50 | 73.84 | 75.35 | 76.18 | 76.62 | 75.27 | *81.91* |
| ANZ NZ commodity price index | mth % chg | 3.9 | 2.1 | -0.4 | -2.8 | -1.5 | 1.2 | ... |
| | ann % chg | 22.8 | 27.9 | 34.9 | 30.9 | 29.0 | 27.0 | ... |
| ANZ world commodity price index | mth % chg | 5.1 | 1.2 | -1.6 | -0.8 | -1.4 | 2.9 | ... |
| | ann % chg | 53.2 | 51.8 | 50.1 | 47.3 | 38.6 | 33.1 | ... |
| **Financial Markets** | | | | | | | | |
| NZD/USD | $[2] | 0.7123 | 0.6992 | 0.6928 | 0.7111 | 0.7154 | 0.7259 | *0.7499* |
| NZD/AUD | $[2] | 0.7685 | 0.8019 | 0.8105 | 0.8134 | 0.7944 | 0.7766 | *0.7644* |
| Trade weighted index (TWI) | June 1979 = 100[2] | 66.10 | 67.00 | 67.10 | 67.20 | 66.60 | 66.80 | *66.74* |
| Official cash rate (OCR) | % | 2.50 | 2.50 | 2.75 | 3.00 | 3.00 | 3.00 | 3.00 |
| 90 day bank bill rate | %[2] | 2.69 | 2.89 | 3.07 | 3.23 | 3.25 | 3.18 | 3.18 |
| 10 year govt bond rate | %[2] | 5.96 | 5.73 | 5.51 | 5.40 | 5.24 | 5.28 | *5.08* |
| **Confidence Indicators/Surveys** | | | | | | | | |
| National Bank - business confidence | net % | 49.5 | 48.2 | 40.2 | 27.9 | 16.4 | 13.5 | 23.7 |
| National Bank - activity outlook | net % | 43.0 | 45.3 | 38.5 | 32.4 | 25.7 | 26.7 | 30.5 |
| ANZ-Roy Morgan - consumer confidence | net % | 121.9 | 126 | 122 | 115.6 | 116.3 | 116.4 | 113.6 |

| | |
|---|---|
| qtr % chg | quarterly percent change |
| mth % chg | monthly percent change |
| ann % chg | annual percent change |
| ann ave % chg | annual average percent change |

| | |
|---|---|
| 1 | Seasonally adjusted |
| 2 | Average (11am) |
| 3 | Westpac McDermott Miller |
| 4 | Quarterly Survey of Business Opinion |
| 5 | One News Colmar Brunton |
| 6 | Ordinary time |
| 7 | 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, One News Colmar Brunton