# Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

## January 2011

## Executive Summary

- **Economy weaker than we expected in mid-2010 even allowing for extraordinary events**
- **Recession likely to be avoided as real GDP is expected to rise in the December 2010 quarter, but could also be weaker than previously forecast**
- **Outlook for 2011 more positive than 2010, largely owing to the Rugby World Cup, earthquake reconstruction and high commodity prices**

The recovery in the New Zealand economy stalled in the middle of last year as real GDP fell in the September 2010 quarter for the first time since the 2008/09 recession ended. The recovery from this recession has undershot our expectations, only partly due to events such as the earthquakes in the Canterbury region. Domestic demand has been softer than we expected, despite the incentive for a pre-GST spend-up, owing to greater caution being shown by households, farms and firms.

We expect that technical recession – where real GDP contracts in two consecutive quarters – was avoided in 2010 with positive growth in real GDP during the December 2010 quarter. However, this growth is likely to be lower than the *Half Year Update's* forecast of 0.9%. Actual indicators of activity for the December 2010 quarter released to date have been soft and any bounceback in the last quarter of 2010 will be limited by further aftershocks in Canterbury delaying reconstruction and a La Nina weather pattern leading to drought conditions in that quarter.

Despite the fall in real GDP in the September quarter, nominal GDP grew slightly as higher prices for our commodity exports boosted the merchandise terms of trade. Commodity prices have continued to rise since then, with ongoing demand from emerging markets such as China and supply issues, so will continue to boost national incomes. The increase in the terms of trade, and reinsurance inflows related to the Canterbury earthquake, also limited the increase in the current account deficit to 3.1% of GDP in the year to September.

As the Treasury prepares its *Budget Economic and Fiscal Update*, there are a number of issues that will influence the New Zealand economy in 2011 that we will need to consider. Key amongst these is the global economic and financial environment, which will remain an important determinant of New Zealand's fortunes. In particular, inflation concerns have begun to develop worldwide, sovereign debt and banking sector concerns remain in the Euro area, and weak housing and labour markets are constraining consumption growth in many advanced economies, particularly the US.

In New Zealand, key issues for the economy in 2011 include one-off events such as the hosting of the Rugby World Cup, earthquake recovery work, and the current La Nina weather pattern. Uncertainty surrounds other key influences such as saving behaviour and the exchange rate. At this stage, the outlook for real economic growth in calendar year 2011 is looking better than what was experienced in 2010. Price developments, particularly the terms of trade, will also be important. As a result, although data have been weaker than expected, the overall outlook for 2011 may not be materially different from that presented in the *Half Year Update 2010*.

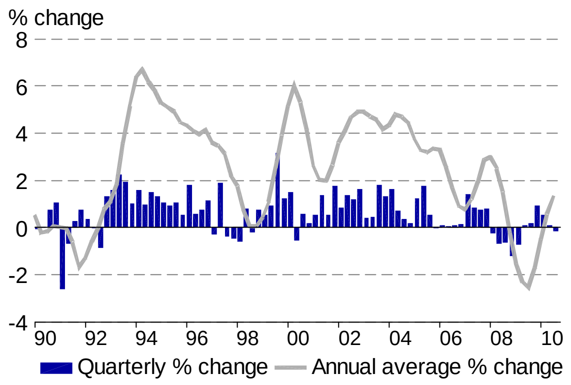
New Zealand Government

## Analysis

**Recovery stalled in mid-2010...**

The recovery in the New Zealand economy stalled in the middle of last year following a promising end to 2009 and start to 2010. Real production GDP fell 0.2% in the September 2010 quarter (the first contraction since the 2008/09 recession ended) and also fell slightly across the two middle quarters of 2010 combined, given the June quarter's rise was only 0.1% (*Figure 1*).

**Figure 1 – Real production GDP**




Source: Statistics NZ

A fall in output in one quarter is not uncommon during a recovery, but weakness was widespread as more than half of the main industry groupings recorded a fall in output. Agriculture output fell on lower livestock production and mining was down sharply as extraction and exploration eased back. There was also a drag on activity in the September quarter from manufacturing, both primary processing and other manufacturing, and construction, both residential and non-residential. Excluding construction, these industries are all in the tradable sector (the part of the economy most exposed to international competition), which struggled to expand its output in 2010 in the face of a high exchange rate and difficult weather conditions. However, as discussed below, parts of the sector are benefiting from surging export commodity prices.

Aside from electricity, gas & water, only service industries recorded growth in output in the quarter. They expanded 0.3% in aggregate, led by wholesale trade, retail, accommodation & restaurants, and transport, storage & communication services. For transport & storage, the 2.1% rise in output was the largest since 2003. For communications, a 0.4% increase follows sharp falls in each of the previous three quarters, which were driven by fewer call minutes. The cumulative fall of around 7% across these three quarters was revised down to a more realistic (but still large) 4% in the latest release.

**...partly owing to extraordinary events...**

Extraordinary events have interrupted the recovery from recession. In the *Half Year Update*, the Canterbury earthquakes were estimated to have knocked 0.2% off real GDP in the September quarter, without which it would have been a flat result. This estimate of 0.2% is broadly in line with the National Bank Regional Trends indicator of economic activity, which recorded a 0.8% fall for the Canterbury region (approximately 15% of the New Zealand economy, which would give an impact of 0.2% if the region would have grown by around 0.5% in the absence of the quake). Other events – including the storms in late September particularly affecting Southland and a reduction in mining exploration and activity noted above – also reduced activity.

**...but there was underlying weakness...**

The recovery in the economy has been weak even accounting for these events, which were largely incorporated into the *Half Year Update* forecasts. The September quarter result was notably weaker than expected in the *Half Year Update*, which anticipated a 0.4% rise in real GDP in the quarter. Domestic demand was softer than we expected in the September 2010 quarter on weak consumer spending and investment despite the incentive for a pre-GST spend up. Private consumption rose by 0.5% in the September quarter, before the rise in GST, much less than our expected 0.9%. Business investment was also much weaker than anticipated, rising just 0.1% in the quarter compared to our expected 1.5% rise. The recession ended 6 months earlier than we forecast in Budget 2009, but the recovery from this recession has repeatedly undershot our relatively low expectations ever since. This undershooting partly reflects the events noted above, but is also due to greater caution being shown by households, farms and firms.

**...that may have continued into late 2010**

A technical recession – where real GDP contracts in at least two consecutive quarters – was only just avoided in mid-2010. We expect that recession was avoided in 2010 with positive growth in real GDP during the December 2010 quarter, although it will likely be lower than the *Half Year Update's* 0.9%. Any bounceback in the last quarter of 2010 will be limited by further aftershocks in Canterbury delaying reconstruction and the development of a severe La Nina weather pattern leading to drought conditions. Actual indicators of activity for the December 2010 quarter released to date have also been soft. Total retail sales lifted 1.5% in November, while core sales (ex auto) fell 0.2%, following a 1.6% post-GST decline in October. With electronic card transactions pointing to a further fall in the month of December owing to below-par Christmas spending, both values are likely to have been flat, at best, in the quarter. After accounting for higher prices, volumes would have struggled to rise and may pose downside risk to our forecast of 0.2% private consumption growth in the *Half Year Update*.

**Higher business and consumer confidence point to resumption of recovery**

The latest Quarterly Survey of Business Opinion (QSBO) supports the positive end to 2010 for the New Zealand economy. Domestic trading activity in the December quarter was the strongest in almost 3 years and in line with positive, albeit only moderate, growth. Forward-looking indicators in the QSBO suggest further recovery will occur in 2011. Firms' activity expectations were up from the previous survey, with a net 13% of firms expecting trading activity to rise in the next 3 months, pointing to a positive start to 2011 for the New Zealand economy. The ANZ-Roy Morgan measure of consumer confidence lifted 5 points in January to 117.1, with the current conditions index lifting above 100 for the first time in four months. While optimism remains relatively low without any strength in the housing and labour markets, the momentum in recent months points to more support for retailers in the current year than experienced in 2010.

**CPI result soft excluding GST impact**

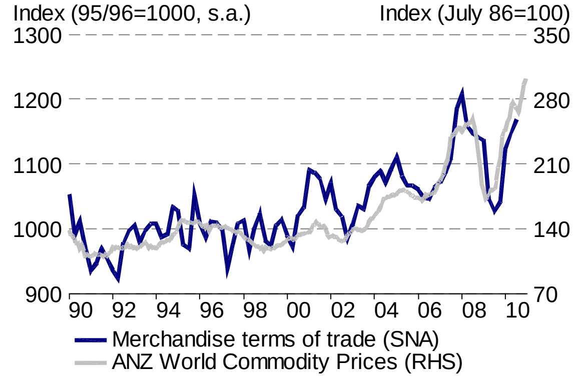
Inflation in late 2010, as measured by the Consumers Price Index (CPI), was soft once the impact of the rise in GST is excluded. The CPI lifted 2.3% in the December quarter and 4.0% in the year, with the 1 October rise in the GST rate flowing through to consumer prices much as expected. The outturn was marginally higher than forecast in the *Half Year Update* (2.2%), fully explained through higher-than-expected fuel prices over the December month. Looking through the GST impact, key positive contributions in the quarter came from higher prices for petrol (6.8%) and seasonal increases in package holidays (15.6%), partially offset by a normalisation of vegetable prices (-3.3%) following earlier weather-related increases.

Housing-related inflation in the CPI was pared back in the quarter, with rents rising just 0.2% (rents are not subject to GST) and housing construction costs (2.0%) lifting by less than implied by the rise in GST (2.2%). We expect inflation to peak at slightly over 5% in the June 2011 quarter, reflecting the 10% tobacco excise increase earlier this month and a greater proportion of goods and services incorporating the GST rise in coming quarters. While inflation is above the 1-3% target range, the Policy Targets Agreement allows the Reserve Bank of New Zealand to look through one-off government policy changes that directly affect prices and focus on medium-term inflation when setting interest rates.

**Commodity prices reach new highs...**

Another impact will come from higher food prices as increasing world commodity prices flow through to local prices. New Zealand commodity prices continue to rise, with the ANZ Commodity Price Index in December 2010 reaching a new record high in world and local prices since it began in 1986. For world prices, this is the fourth consecutive monthly increase and the third consecutive monthly record (*Figure 2*). Further increases are possible in early 2011 as dairy prices in January's two *global*DairyTrade auctions experienced a combined increase of 8.5%.

**Figure 2 – Merchandise terms of trade**




Source: Statistics NZ, ANZ, the Treasury

With ongoing demand from emerging markets such as China, there are no signs of any correction in commodity prices in the near term at least. Supply issues will also underpin commodity prices, with La Nina weather patterns contributing to wet weather on Australia's east coast and dry weather in parts of New Zealand prior to recent rains.[1]

**...lifting the terms of trade to historic highs...**

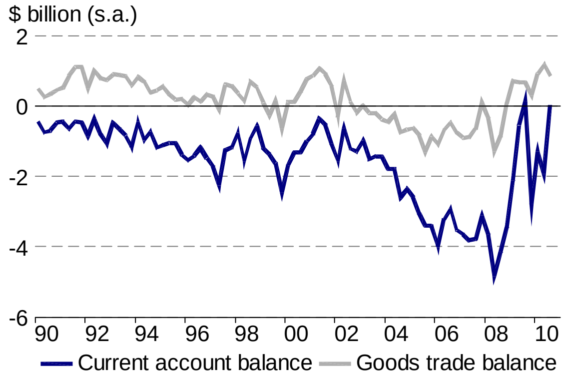
Higher commodity prices are also boosting import prices, most notably oil. However, the primary impact of higher commodity prices is on export prices so the merchandise terms of trade (ratio of goods export prices to goods import prices) are rising back towards their 2007/08 peak. Higher terms of trade will continue to boost national incomes, although some of this impact on domestic demand may be more limited than previously as farmers continue to pay down debt ahead of consumer spending or on-farm investment.

Despite the fall in real GDP, nominal GDP grew slightly (0.1%) in the September quarter as the GDP deflator was driven higher by a 3.8% rise in the SNA merchandise terms of trade. Nevertheless, the nominal GDP result came in weaker than we expected in the *Half Year Update*, which had factored in strong growth of 1.5%. In terms of fiscal implications, we have not seen substantial weakness in tax outturns to date so the tax outlook may be relatively unchanged. However, tax data will show increased volatility until the recent tax changes bed in. Tax results for November 2010 were released on the Treasury's website on 27 January.

**...and keeping the current account deficit low...**

The annual current account deficit widened to 3.1% of GDP ($5.9 billion) in September from 3.0% ($5.7 billion) in June but remained low compared to New Zealand's recent experience of high deficits. Reinsurance inflows of $1.7 billion related to the Canterbury earthquake stopped the annual deficit from widening further and pushed the seasonally adjusted quarterly current account balance into a rare surplus of $35 million (*Figure 3*).[2] Also providing support was the increase in the merchandise terms of trade, which helped keep the seasonally adjusted goods balance in surplus to the tune of $835 million in the September quarter, the eighth consecutive surplus. However, there were signs of domestic weakness in the quarterly income balance, which recorded a $591 million smaller deficit of $2.3 billion, mainly due to lower profits earned by foreign investors on New Zealand investments.

**Figure 3 – Balance of Payments**




Source: Statistics NZ

New Zealand's net international liability position remains large relative to the economy, reflecting previous high current account deficits, but has fallen over the past 18 months. As at 30 September, New Zealand's net international liabilities were $162.5 billion or 85.2% of GDP, down from $163.1 billion or 86.3% of GDP in June, and a peak 90.3% of GDP in March 2009. An increase in the value of offshore shares drove the change. Furthermore, changes to banking sector funding arrangements continue to affect the maturity structure of overseas debt. Overseas debt with a time to maturity of one year or less was 39% of the total, down from a peak of 55% in late 2007.

**...but dependent on a strong global economy...**

Current high levels of New Zealand's terms of trade have been heavily dependent on the health of the global economy. The recovery in developed countries appears to be becoming more entrenched, with activity data starting to improve. The US and European economies, led by Germany, seem to be accelerating. In the US, industrial production, retail sales and exports have shown strong growth, indicating improving household and business sectors. In the Euro area

[1] The Special Topic in the October 2010 MEI outlined the factors boosting commodity prices in more detail.

[2] This surplus will be revised upwards as further information becomes available. The EQC currently estimates the cost of claims to it from the Canterbury earthquake could be in the range of $2.75 - $3.5 billion, up from an estimated $1 - $2 billion at the time September's data was finalised. EQC is liable for the first $1.5 billion before it can claim from its reinsurance, so the total reinsurance related to EQC's liability could be $1.25 - $2 billion. The $1.7 billion estimate of reinsurance inflows in the September quarter includes $0.5 billion related to the EQC, which gives a mid-point estimate of an additional $1 billion to be included in March's release, plus whatever the private insurers may add on. Overall, the Treasury's estimate of reinsurance inflows of around $3.5 billion looks to be reasonable. Adding an extra $1.8 billion to the transfers surplus would reduce the annual current account deficit to around 2% of GDP in September 2010.

an indicator of the combined strength of the manufacturing and services sectors is at a six-month high, led by Germany and France. These data show that while sovereign debt problems in peripheral countries still weigh, the core countries are driving economic strength in the region.

Data coming out of China continue to be very strong, with annual growth accelerating from 9.4% to 9.8% in the December 2010 quarter. Activity indicators, including industrial production, retail sales, fixed asset investment and the manufacturing PMI show further strong growth ahead. However, the strong growth has raised overheating worries, which, along with other international risks, are discussed further in the special topic.

The improving economic data helped risk assets to rally over the past two months. US and European equities rose over both December and January. These rallies continued on from a strong 2010 for equities with the S&P500 rising 13%, the FTSE up 9% and the German DAX increasing 16%. Commodity prices followed equities higher over December meaning oil, gold and copper rose 15%, 29% and 33% over 2010. Commodities reversed some of their gains in January as markets worried that monetary tightening in China and India will dampen their demand for commodities.

**...although severe weather is also impacting**

The floods in Queensland are expected to have a significant impact on the Australian economy. There will be a negative impact on GDP in late 2010 and early 2011 as businesses and households are disrupted. Preliminary estimates are of around a 0.5% point hit to GDP over the December 2010 and March 2011 quarter as coal and agricultural output are disrupted the most. Flood recovery and rebuilding will likely result in a subsequent boost to GDP offsetting the initial loss. Commodity prices, especially coal, are expected to rise as a result of the decrease in supply, flowing through to the rest of the world, which is already facing high commodity prices and adding to inflationary pressures which have been building (covered in more detail in this month's special topic). Australian inflation will also be pressured by rising food prices and capacity constraints, especially in the construction industry.

The December quarter GDP result in the UK was also affected by severe weather. Extremely cold weather contributed to a 0.5% contraction in the December quarter, with the result likely to have been flat excluding the weather impact.

**New Zealand's 2010 ends with strong external sector and subdued domestic economy**

In 2010, a weak domestic economy and one-off adverse events caused the recovery to be weaker than we and most commentators expected, while developments in the external sector were more positive as a strong rebound in the global economy pushed commodity prices to record highs. The special topic examines the key issues that will affect the year 2011.

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



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## Special Topic: Key Issues for the New Zealand Economy in 2011

As the Treasury prepares its *Budget Economic and Fiscal Update* for 2011, there are a number of issues we will need to consider. This special topic explores some of the main issues that will influence the New Zealand economy in 2011.

### Global

Key amongst these issues is the global economic and financial environment, which will remain an important determinant of New Zealand's fortunes. The main global issues we have identified are as follows:

*Global inflation*

Inflation concerns have begun to develop worldwide, with commodity prices rising significantly in recent times. Strong demand for commodities, especially out of emerging Asia, as a result of better global growth in 2010 than expected has flowed through to inflation. Severe weather conditions disrupting supply, including the Queensland floods, as well as loose monetary conditions with low global interest rates, have added to the pressure on commodity prices.

Strong growth in emerging Asia, especially China, has also added to inflationary pressures. Many Asian countries have begun tightening monetary policy to get inflation under control. Given that Asia has been the main engine of world growth since the global financial crisis and a major source of New Zealand's export demand and high commodity prices, any major slowdown due to high inflation and monetary tightening would have significant negative consequences for the world economy, and especially New Zealand. However, New Zealand does stand to benefit from high commodity prices, as a major soft commodity exporter and with growing links to emerging Asia.

*European fiscal positions*

Even though the Euro area has seen improving economic fortunes recently, sovereign debt and banking sector concerns still weigh heavily. With Greece and Ireland having received bailout packages, attention has turned to Portugal and Spain, as well as the banking sectors of some at-risk countries. If there was further escalation of these problems, through banking or sovereign default or restructure of debt, financial markets may seize up similar to what happened during the global financial crisis in 2008/2009. However, there may be more discrimination this time around, with those countries seen to have the highest risk factors being discriminated against first. The financial market strain would limit the ability of the New Zealand government and banks to borrow on overseas markets, and the cost of debt for countries with high debt, including New Zealand, may rise.

*Housing and labour markets*

Many advanced economies are yet to see strong enough job growth to significantly decrease currently high unemployment rates. Also, many housing markets are yet to recover from the large falls experienced over the global recession. The weak housing and labour markets are currently constraining household spending and limiting the ability of the private sector to take over from previous public stimulus-led growth. The US is the major example of this with high unemployment and still negative house price inflation constraining consumption growth. If these markets maintain their drag on growth, private consumption will not be able to fully support the global recovery.

### One-off events

The hosting of the Rugby World Cup is a key one-off event that will boost activity in New Zealand during 2011, with the impact spread across the September and December quarters (the Cup runs from 9 September to the final on 23 October). Higher service exports flowing from the larger number of overseas visitors will be the primary impact on the economy this year.

The Canterbury earthquake had a negative impact on the economy in the September 2010 quarter, but earthquake recovery work will boost economic activity in New Zealand during 2011. This impact is expected to be concentrated in residential investment and, to a lesser extent, private consumption (though both will partly be met out of imports).

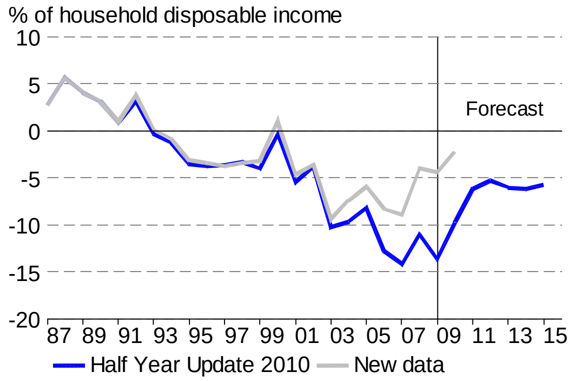
Assuming a return to normal weather patterns, a recovery in agricultural production and exports later in 2011 would be expected to boost economic activity. The risk of dry conditions or other adverse weather will remain, especially if the La Nina pattern prevails, although a mitigating factor for New Zealand could be higher commodity prices caused by tighter supply here and overseas (La Nina is also contributing to adverse weather in other parts of the world, most notably the Queensland floods).

## Saving

New data released in late 2010 paint a different picture of household saving over the past decade than we previously thought, and compared to what was incorporated in the *Half Year Update* (*Figure 4*). Instead of a steadily-worsening trend, the rate of household dissaving (ie, consumption in excess of incomes) peaked in 2007 and declined in subsequent years. The latest household dissaving rate of 2.2% of household disposable income in the March 2010 year is the lowest since the March 2000 year and the second lowest since 1994. A key judgement in our Budget 2011 forecasts will be whether household saving rates return to those experienced over the mid-2000s – leading to stronger consumption growth – or whether the improvement since 2007 is part of a structural trend that has further to run.

As long as nominal house prices remain on their current stable trend, we would view any reversion to previous levels of household dissaving, when house prices were surging, as unlikely. More probably, consumer spending over 2011 could be expected to grow closely in line with incomes, which this year will be supported by an improving labour market, high farm incomes and one-off events. This would require the optimism seen in consumer confidence surveys to begin to flow through to actual spending. The behaviour of other sectors of the economy regarding spending, investment and debt – businesses (including farms) and government – will also be important.

**Figure 4 – Annual household saving rate**




Source: Statistics NZ, the Treasury

## Exchange rate

The New Zealand dollar remains elevated on a Trade Weighted Index (TWI) basis and is thus not supporting the sort of export-led growth typical of recent recoveries from recession. High prices for New Zealand's commodity exports are partly responsible, while a low cross-rate against the Australian dollar will continue to benefit non-commodity exporters. A sensible assumption – the exchange rate is notoriously difficult to forecast at the best of times – will be for the currency to hold up around current levels for much of 2011 unless commodity prices move sharply lower. But without a sustained lower exchange rate, 2011 will be another difficult year for exporters of non-commodity goods to countries other than Australia (the Rugby World Cup will give temporary relief to those exporting travel and transport services). We are thus unlikely to see any fundamental shift in the economy towards the tradable sector, owing to the natural constraints of expanding agricultural production, the limited size of the Australian market and the stiff competition there as other countries also face a low exchange rate against the Australian dollar.

## Summary

Uncertainty surrounds key influences such as the global economy and domestic saving behaviour. The exact impact of known one-offs could also differ from expectations and of course unexpected events may occur, although perhaps not to the extent they did in the second half of 2010. At this stage, the outlook for real economic growth in calendar year 2011 (around 3%) is looking better than what was experienced in calendar year 2010 (around 1.5%) – or even than what was expected for 2010 this time last year (2.1%) – which in turn was an improvement on 2009 (-1.7%). Price developments, particularly the terms of trade, will also be important as further gains are possible based on recent commodity prices movements. As a result, although actual data have been weaker than expected, the overall outlook for 2011 may not be materially different from that presented in the *Half Year Update 2010*.

# New Zealand Key Economic Data

28 January 2011

## Quarterly Indicators

| | | 2009Q2 | 2009Q3 | 2009Q4 | 2010Q1 | 2010Q2 | 2010Q3 | 2010Q4 |
|---|---|---|---|---|---|---|---|---|
| **Gross Domestic Product (GDP)** | | | | | | | | |
| Real production GDP | qtr % chg[1] | 0.1 | 0.2 | 0.9 | 0.6 | 0.1 | -0.2 | ... |
| | ann ave % chg | -2.3 | -2.5 | -1.7 | -0.5 | 0.6 | 1.4 | ... |
| Real private consumption | qtr % chg[1] | 0.2 | 0.8 | 1.0 | 0.5 | 0.2 | 0.5 | ... |
| | ann ave % chg | -1.5 | -1.3 | -0.7 | 0.4 | 1.4 | 1.9 | ... |
| Real public consumption | qtr % chg[1] | -1.3 | 0.3 | 0.6 | 1.6 | 0.5 | -0.7 | ... |
| | ann ave % chg | 2.7 | 1.9 | 0.6 | 0.2 | 1.1 | 1.5 | ... |
| Real residential investment | qtr % chg[1] | -4.6 | -3.3 | 4.4 | 0.3 | 11.4 | -7.4 | ... |
| | ann ave % chg | -25.0 | -24.8 | -18.1 | -13.0 | -4.3 | 3.5 | ... |
| Real non-residential investment | qtr % chg[1] | 1.7 | -4.1 | -1.6 | 0.2 | 4.6 | 0.0 | ... |
| | ann ave % chg | -2.8 | -4.9 | -7.5 | -8.5 | -7.8 | -4.8 | ... |
| Export volumes | qtr % chg[1] | 4.4 | 0.8 | -0.5 | 1.3 | 0.6 | -1.1 | ... |
| | ann ave % chg | -3.3 | -1.7 | 1.7 | 4.6 | 4.7 | 3.7 | ... |
| Import volumes | qtr % chg[1] | -2.6 | 0.9 | 5.8 | 1.8 | 0.3 | 3.0 | ... |
| | ann ave % chg | -12.0 | -16.1 | -14.6 | -9.4 | -1.8 | 5.6 | ... |
| Nominal GDP - expenditure basis | ann ave % chg | 1.1 | 0.9 | 0.7 | 1.2 | 1.9 | 2.8 | ... |
| Real GDP per capita | ann ave % chg | -3.2 | -3.5 | -2.8 | -1.6 | -0.7 | 0.1 | ... |
| Real Gross National Disposable Income | ann ave % chg | -1.6 | -1.5 | -1.2 | 0.7 | 0.9 | 1.6 | ... |
| **External Trade** | | | | | | | | |
| Current account balance (annual) | NZ$ millions | -10522 | -5946 | -5204 | -4458 | -5707 | -5930 | ... |
| | % of GDP | -5.7 | -3.2 | -2.8 | -2.4 | -3.0 | -3.1 | ... |
| Investment income balance (annual) | NZ$ millions | -10794 | -8059 | -7930 | -7627 | -9026 | -10593 | ... |
| Merchandise terms of trade | qtr % chg | -9.4 | -1.6 | 5.8 | 6.1 | 2.0 | 3.0 | ... |
| | ann % chg | -13.5 | -14.1 | -8.2 | 0.1 | 12.7 | 17.9 | ... |
| **Prices** | | | | | | | | |
| CPI inflation | qtr % chg | 0.6 | 1.3 | -0.2 | 0.4 | 0.2 | 1.1 | 2.3 |
| | ann % chg | 1.9 | 1.7 | 2.0 | 2.0 | 1.7 | 1.5 | 4.0 |
| Tradable inflation | ann % chg | 0.2 | -0.1 | 1.5 | 2.0 | 1.0 | 0.3 | 3.3 |
| Non-tradable inflation | ann % chg | 3.3 | 3.0 | 2.3 | 2.1 | 2.2 | 2.5 | 4.6 |
| GDP deflator | ann % chg | 2.0 | 0.8 | -1.4 | 0.3 | 1.6 | 2.1 | ... |
| Consumption deflator | ann % chg | 2.8 | 1.8 | 1.1 | 0.8 | 0.7 | 1.1 | ... |
| **Labour Market** | | | | | | | | |
| Employment (HLFS) | qtr % chg[1] | -0.2 | -0.8 | 0.0 | 1.0 | -0.2 | 1.0 | ... |
| | ann % chg[1] | -0.9 | -1.8 | -2.4 | -0.1 | 0.0 | 1.8 | ... |
| Unemployment rate | %[1] | 6.0 | 6.5 | 7.1 | 6.0 | 6.9 | 6.4 | ... |
| Participation rate | %[1] | 68.4 | 68.0 | 68.1 | 68.0 | 68.1 | 68.3 | ... |
| LCI salary & wage rates - total (adjusted)[5] | qtr % chg | 0.3 | 0.5 | 0.4 | 0.3 | 0.4 | 0.5 | ... |
| | ann % chg | 2.9 | 2.1 | 1.8 | 1.5 | 1.6 | 1.6 | ... |
| LCI salary & wage rates - total (unadjusted)[5] | qtr % chg | 0.6 | 0.9 | 0.5 | 0.5 | 1.0 | 1.1 | ... |
| | ann % chg | 4.6 | 3.8 | 2.9 | 2.5 | 2.9 | 3.1 | ... |
| QES average hourly earnings - total[5] | qtr % chg | 0.7 | 0.9 | -0.2 | -0.4 | 0.7 | 1.0 | ... |
| | ann % chg | 4.7 | 4.0 | 2.8 | 1.0 | 1.0 | 1.1 | ... |
| Labour productivity[6] | ann ave % chg | -1.5 | -0.9 | 0.4 | 2.3 | 2.1 | 1.3 | ... |
| **Confidence Indicators/Surveys** | | | | | | | | |
| WMM - consumer confidence[3] | Index | 106 | 120 | 117 | 115 | 119 | 114 | 108 |
| QSBO - general business situation[4] | net% | -24.8 | 35.6 | 30.7 | 21.9 | 17.5 | 6.4 | 8.1 |
| QSBO - own activity outlook[4] | net% | -13.1 | 23.0 | 10.8 | 14.5 | 11.3 | 9.5 | 11.4 |

## Monthly Indicators

| | | 2010M 7 | 2010M 8 | 2010M 9 | 2010M10 | 2010M11 | 2010M12 | 2011M 1 |
|---|---|---|---|---|---|---|---|---|
| **External Sector** | | | | | | | | |
| Merchandise trade - exports | mth % chg[1] | -3.1 | -2.5 | -2.3 | 4.3 | 0.3 | ... | ... |
| | ann % chg[1] | 12.3 | 14.4 | 13.0 | 24.1 | 19.1 | ... | ... |
| Merchandise trade - imports | mth % chg[1] | -1.4 | -6.3 | 2.4 | -0.4 | 3.7 | ... | ... |
| | ann % chg[1] | 11.8 | 3.1 | 6.8 | 13.2 | 15.0 | ... | ... |
| Merchandise trade balance (12 month total) | NZ$ million | 585 | 871 | 978 | 1256 | 1350 | ... | ... |
| Visitor arrivals | number[1] | 212090 | 212990 | 213220 | 209570 | 210690 | ... | ... |
| Visitor departures | number[1] | 216040 | 214200 | 209990 | 212680 | 211340 | ... | ... |
| **Housing** | | | | | | | | |
| Dwelling consents - residential | mth % chg[1] | 3.1 | -17.7 | 0.8 | -1.9 | 8.8 | ... | ... |
| | ann % chg[1] | 25.8 | -3.1 | -9.4 | -17.4 | -8.7 | ... | ... |
| House sales - dwellings | mth % chg[1] | -1.7 | -1.9 | -5.8 | -9.4 | 19.8 | 3.9 | ... |
| | ann % chg[1] | -27.2 | -27.1 | -33.3 | -35.9 | -14.8 | -11.3 | ... |
| REINZ - house price index | mth % chg | -1.2 | 0.3 | -0.3 | -0.9 | 1.9 | -0.6 | ... |
| | ann % chg | 1.8 | 0.9 | -1.3 | -3.5 | -1.9 | -1.6 | ... |
| **Private Consumption** | | | | | | | | |
| Core retail sales | mth % chg[1] | -1.1 | 0.1 | 1.7 | -1.6 | -0.2 | ... | ... |
| | ann % chg[1] | 2.5 | 0.8 | 2.7 | 1.4 | 0.4 | ... | ... |
| Total retail sales | mth % chg[1] | -1.1 | 0.1 | 2.0 | -2.4 | 1.5 | ... | ... |
| | ann % chg[1] | 3.3 | 1.8 | 3.9 | 1.4 | 1.8 | ... | ... |
| New car registrations | mth % chg[1] | -6.4 | 0.0 | 2.7 | -3.9 | 13.6 | -8.9 | ... |
| | ann % chg | 16.0 | 19.0 | 19.2 | 9.4 | 23.5 | 6.4 | ... |
| Electronic card transactions - total retail | mth % chg[1] | 0.3 | -0.7 | 2.4 | 0.9 | 1.0 | -0.9 | ... |
| | ann % chg | 4.4 | 1.7 | 5.0 | 4.8 | 6.3 | 4.4 | ... |
| **Migration** | | | | | | | | |
| Permanent & long-term arrivals | number[1] | 6970 | 6980 | 7210 | 7250 | 7070 | ... | ... |
| Permanent & long-term departures | number[1] | 6070 | 6140 | 6210 | 6610 | 6440 | ... | ... |
| Net PLT migration (12 month total) | number | 15221 | 14507 | 13914 | 12610 | 11519 | ... | ... |
| **Commodity Prices** | | | | | | | | |
| Brent oil price | US$/Barrel | 75.19 | 76.89 | 77.94 | 83.34 | 85.80 | 91.96 | *96.79* |
| WTI oil price | US$/Barrel | 76.18 | 76.62 | 75.27 | 81.90 | 84.15 | 89.37 | *89.73* |
| ANZ NZ commodity price index | mth % chg | -2.8 | -1.5 | 1.1 | 0.8 | 1.3 | 4.5 | ... |
| | ann % chg | 30.9 | 29.0 | 26.9 | 28.2 | 15.7 | 16.1 | ... |
| ANZ world commodity price index | mth % chg | -0.8 | -1.4 | 2.8 | 3.5 | 4.5 | 2.0 | ... |
| | ann % chg | 47.3 | 38.6 | 32.9 | 31.4 | 23.7 | 23.0 | ... |
| **Financial Markets** | | | | | | | | |
| NZD/USD | $[2] | 0.7111 | 0.7154 | 0.7259 | 0.7501 | 0.7727 | 0.7504 | *0.7646* |
| NZD/AUD | $[2] | 0.8134 | 0.7944 | 0.7766 | 0.7647 | 0.7805 | 0.7573 | *0.7682* |
| Trade weighted index (TWI) | June 1979 = 100[2] | 67.20 | 66.60 | 66.80 | 66.70 | 68.90 | 67.80 | *68.73* |
| Official cash rate (OCR) | % | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 90 day bank bill rate | %[2] | 3.23 | 3.25 | 3.18 | 3.18 | 3.17 | 3.17 | *3.19* |
| 10 year govt bond rate | %[2] | 5.40 | 5.24 | 5.28 | 5.09 | 5.49 | 5.82 | *5.63* |
| **Confidence Indicators/Surveys** | | | | | | | | |
| National Bank - business confidence | net % | 27.9 | 16.4 | 13.5 | 23.7 | 33.2 | 29.5 | ... |
| National Bank - activity outlook | net % | 32.4 | 25.7 | 26.7 | 30.5 | 35.3 | 34.5 | ... |
| ANZ-Roy Morgan - consumer confidence | net % | 115.6 | 116.3 | 116.4 | 113.6 | 114.5 | 112.2 | 117.1 |

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