Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

April 2011

Executive Summary

- **Business confidence rebounds and supports ongoing gradual recovery**
- **Consumer inflation limited by weak trading activity**
- **The global economy continues to grow strongly, but faces increased risks**

Data released in April provided further insight into the effects on the New Zealand economy of the devastating February earthquake. Surveys of business confidence, released soon after the disaster, such as the *Quarterly Survey of Business Opinion* (QSBO), indicate that economic activity was significantly disrupted, but the disruption largely occurred in the Canterbury region.

More recent data show that the effects on business confidence have generally been temporary in nature. The *National Bank Business Outlook Survey*, for instance, found that headline confidence among businesses reversed half of the post-earthquake decline. The short-lived drop in confidence supports our view that the New Zealand economy continues to recover, albeit gradually. We expect that GDP will expand around 1% in the 2011 calendar year, before rebuilding work in Canterbury helps to push economic activity higher in 2012.

Meanwhile, an increasing number of businesses have noted rising cost pressures in recent months, but faced with a subdued trading environment many firms have been unwilling or unable to pass on increases to customers. Firms' inability to pass through cost increases has limited increases in prices faced by households. The Consumers' Price Index rose 0.8% in the March quarter largely the result of higher fuel and food prices in addition to increased tobacco excise rates. However, soft demand experienced by many retailers led to a greater-than-expected level of discounting across a variety of goods and services.

Activity in the housing market lifted strongly in March, largely as a result of increased sales in the Auckland region. Nevertheless, the housing market remains subdued with activity at near-record lows and house prices remaining largely unchanged in the month. Other indicators also suggest that the Auckland economy is outperforming those of other regions. However, divergence between regions is expected to be temporary as farmers start to spend recent increases in incomes and the Christchurch rebuild gets underway.

In contrast to businesses, sentiment among households remains subdued. While the earthquake clearly had an effect on consumer confidence, households were behaving cautiously prior to the disaster in part due to high levels of indebtedness. This month's Special Topic examines the implications of household rebalancing on future spending behaviour.

Internationally, data released in April showed that the global economy continues to grow strongly, but is facing increased risks. Ongoing conflict in the Middle East and North Africa has kept oil prices elevated, and strong demand from emerging economies for commodities, while benefiting New Zealand, is stoking inflation pressures around the world. Inflation poses a risk to global growth as central banks around the world look to tighten policy in response. In addition, sovereign debt concerns in Europe were again prominent as Portugal officially requested a bailout.

New Zealand Government

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Analysis

Data in April provided further insight into the effects on the New Zealand economy of the devastating 22 February earthquake. Surveys of business confidence taken soon after the disaster point to significant disruption to firms' trading activity, but were largely isolated to the Canterbury region. More recent data show that the effect on business confidence has been largely temporary, and support an ongoing but gradual recovery through 2011. We expect the economy to expand 1% in the 2011 calendar year, before rebuilding work in Canterbury helps to push economic growth higher.

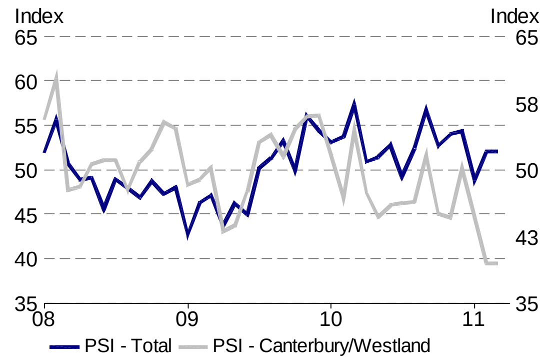
Earthquake disrupts business activity...

A natural disaster with the devastating force of 22 February's earthquake directly causes large disruption to economic activity. How firms and households elsewhere respond to such disasters also has a significant bearing on economic growth. Business confidence fell sharply in the first quarter of 2011, according to the *Quarterly Survey of Business Opinion* (QSBO), as firms factored in the effects of the earthquake. Evidence from the survey suggests that the direct effects of the event on business activity have generally been localised. Surveyed trading activity in Canterbury in the March quarter fell sharply, but actual activity is likely to have fallen by even more given a 40% non-response rate recorded in the region. Nationally, however, firms' trading activity did not shift to the same degree, easing only 4 points to show a net 5% of businesses experienced a fall in sales. The result suggests that GDP was flat to slightly negative in the March quarter in line with our most recent forecast of a modest contraction.

...but is largely centred in Canterbury

Other indicators released during April also illustrate a largely localised impact on business activity from the earthquake. Both the *BNZ-Business NZ* Performance of Manufacturing (PMI) and Services (PSI) indexes recorded sharp contractions during March in the Canterbury/Westland region (*Figure 1*). In contrast, despite both activity indexes declining at a national level, the manufacturing and services sectors still noted an expansion in activity.

Figure 1 – National and Canterbury PSI



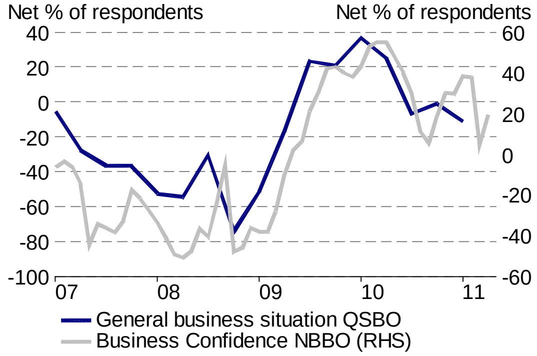
Source: BNZ-Business NZ

The economy continues to gradually recover

The disruption to activity evident in survey data should be viewed against a backdrop of an ongoing, albeit gradual, recovery. Other gauges of business sentiment presented in the QSBO are supportive of a recovery. For instance, a net 2% of firms were reported to have increased their workforce in the first quarter of 2010 (consistent with annual employment growth of 2%), and while hiring intentions for the June quarter eased they were again largely influenced by Canterbury businesses. In addition, the agriculture sector, which is not directly captured in the QSBO, continues to benefit from a synchronised lift in commodity prices. The ANZ Commodity Price Index extended its run of gains in March lifting 4.7%, with none of the 17 measured commodities recording declines (the first time in 17 years). Although farm incomes are being boosted by the recent surge in commodity prices, the effects are yet to be fully felt through the New Zealand economy as farmers look to reduce debt.

Moreover, monthly surveys of business sentiment released since the QSBO, such as the BNZ confidence survey and the National Bank Business Outlook (NBBO) indicate that the disruption to business confidence has been largely temporary. According to the NBBO, firms' outlook for the economy reversed half of March's fall with a net 14% of businesses expecting better economic conditions in the year ahead (*Figure 2*). Significantly, firms in the Canterbury region recorded the largest rise in confidence, with residential and commercial construction intentions rising sharply as firms gear up for the rebuild. We anticipate the rebuild will gain momentum through 2012.

Figure 2 – Business confidence



Sources: NZIER, National Bank

Firms unable to pass on rising costs...

It was evident from the QSBO that firms have faced rising cost pressures in recent months with a net 39% of businesses reporting cost increases in March – almost double the number a year earlier – and an increasing number of respondents are also anticipating higher costs in the coming months. However, faced with a subdued trading environment, businesses are reluctant or unable to pass these cost increases onto customers. While most industries expect to increase prices in the months ahead, a large divergence between cost pressures and pricing intentions is being felt by the retail and building industries. The resulting squeeze on margins has contributed to downgrades of firms' profit expectations and a net 22% of firms anticipate lower profits in the coming quarter, down from 5%.

...limiting consumer price increases

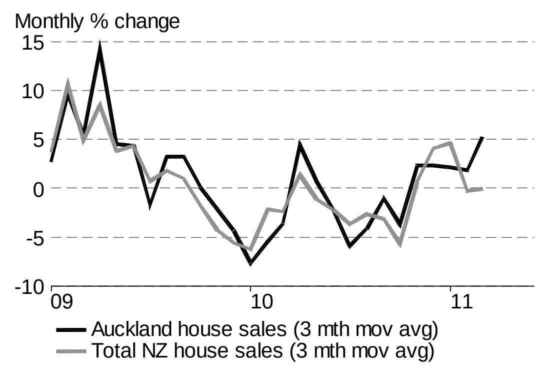
Limited pass-through of firms' costs to the prices faced by households was evident in the March quarter CPI. The Consumers Price Index (CPI) rose 0.8% in the first quarter of 2011, lower than many market commentators were expecting. Higher fuel and food prices, in addition to increases in tobacco excise rates, dominated quarterly price movements. However, a lack of price pressure in areas experiencing soft demand led to discounting across a variety of goods and services. Discounting occurred among goods normally sensitive to exchange rate movements, such as furniture and audio-visual and computing equipment, despite the New Zealand dollar remaining relatively unchanged in the quarter. In addition, clothing and communication prices were also discounted more than expected in the quarter.

On an annual basis, consumer prices were 4.5% higher, largely reflecting government-related charges such as last October's GST rate rise. We believe that the recent run-up in fuel and commodity prices has yet to be fully felt in headline inflation, with providers of transport services expected to pass on cost increases in coming quarters. As a result, inflation is expected to peak in the June quarter at 5.3% before declining to within the Reserve Bank's target of 1%-3% in mid-2012 as one-off price rises drop out of the calculation.

Auckland region drives housing market...

Housing market activity lifted strongly in March, largely the result of increased sales in the Auckland region (*Figure 3*). Data released by the *Real Estate Institute of New Zealand* (REINZ) showed a seasonally adjusted 4.5% rise in national sales, including an 11.7% lift in Auckland alone. The result backed up reports from the Auckland-based real estate firm *Barfoot and Thompson*, released earlier in the month, which experienced 15.4% higher sales volumes compared to March 2010. Outside of Auckland, however, sales were largely stagnant. For example, excluding Auckland and Canterbury, sales were 2.3% lower than a year ago. Given the significant level of uncertainly following February's earthquake, sales in Christchurch city continued to decline, but other areas such as Timaru have seen notable interest in property, offsetting Christchurch's weakness.

Figure 3 –Auckland and total house sales



Source: REINZ

Despite the lift in national sales, the housing market remains subdued with activity at near-record lows. In addition, house prices were largely unchanged in March and the stratified house price index is still around 5% below its late-2007 peak. Furthermore, although the average number of days to sell declined 3 days to 45 in March, the result remains above long-term average levels and has done so since April 2010.

...and leads the economic recovery

Housing market data supports other indicators that suggest Auckland's economy is outperforming other regions. The cut to the OCR in March, while intended to shore up confidence following the earthquake, is likely to be aiding increased interest in Auckland's housing market. Furthermore, a housing shortage in Auckland may also be underlying the increased activity. The rising cost of rental accommodation suggests a housing shortfall may be developing, and according to *Barfoot and Thompson* average weekly rents rose sharply in March (4.8% mpc) and were 8.3% higher than March 2010.

While the Auckland economy might be currently recovering faster than other regions, any divergence is expected to be temporary as farmers begin spending increased incomes and Christchurch's rebuild ramps up through 2012.

Consumer confidence remains unchanged

In contrast to businesses, consumer sentiment remained subdued in April as shown by the *ANZ-Roy Morgan* survey. Households were behaving cautiously prior to February's earthquake by limiting spending, and both the March and April confidence surveys point to further soft spending behaviour to come. One factor behind cautious spending behaviour is households' high level of indebtedness. This month's Special Topic examines the implications of household rebalancing on future spending.

The weakness in consumer confidence was predominantly reflected in consumers' current situation, with a net 21% of respondents pessimistic about their current financial situation (previously 16%). Heavily discounted prices and a need to replace damaged goods are likely to have helped increase the number of households believing it is a good time to purchase a major household item. Households' desire to replace damaged good was also reflected in spending using electronic cards in March: purchases of appliances jumped 2.5% - more than offsetting February's decline. Total spending at retail outlets rose 1.3% in the month, and reflects rising petrol prices given spending on fuel has risen for eight consecutive months. Nevertheless, transactions on core retail goods still increased 0.8% in March. We await the March quarter *Retail Trade Survey*, rescheduled for release on 15 June, to confirm a rebound in spending at retail outlets in early 2010.

World recovery continues

The global economy is still growing strongly, despite many factors threatening to slow it down. Inflation is increasingly becoming a concern globally, with monetary tightening starting to take place in more than just emerging economies.

The IMF released their World Economic Outlook (WEO) during April, and see the world continuing to recover, albeit with more risks, mainly to the downside. Since their January WEO Update, several new risks have emerged such as elevated oil prices and the impact on supply chains of the Japanese earthquake and tsunami; although their forecasts remain largely the same with about 4.5% global growth in 2011 and 2012, they lowered US growth from 3.0% to 2.8% for 2011. US March quarter growth came in below expectations at 0.4%, bringing the annual rate to 2.3%. Forward indicators show growth is expected to improve later in the year.

Global commodity prices still high...

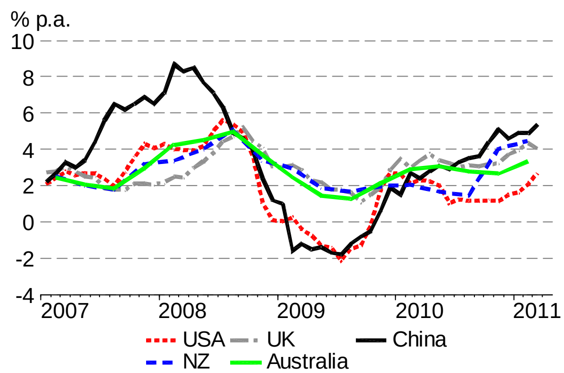
Conflict has continued in the Middle East and North Africa during April, keeping oil prices elevated mainly due to the great deal of uncertainty surrounding the situation. Reports have indicated that Saudi Arabia has cut oil production, after having previously increased output to make up the loss to Libyan production. There are concerns over the impact these elevated oil prices could have on global growth.

...and starting to flow through to inflation

Higher oil prices, as well as other surging commodities, are now clearly starting to impact inflation around the world. Commodity prices have been increasing due to a combination of Middle East unrest, supply shocks from adverse weather and strong demand from emerging economies like China and India. US headline inflation has been accelerating recently with the annual rate in March up to 2.7%, compared to 2.2% in February. Core inflation (excluding food and energy prices) is much lower at 1.2%, allowing the Federal Reserve to rest a little easier.

Euro area annual inflation was also strong, at a more-than-expected 2.7% in March, rising a very strong 1.4% during the month. The European Central Bank (ECB) raised its policy rate by 25 basis points to 1.25% to reduce the increasing inflationary pressures; more hikes are expected later this year. Chinese inflation and growth were also higher than expected at 5.4% and 9.7% respectively, leading to more tightening of monetary conditions by the People's Bank of China. Australian March quarter inflation was higher than expected, taking the annual rate to 3.3%, above the Reserve Bank of Australia's (RBA) 3% upper limit. However, the underlying core rate was significantly weaker than the headline rate, plus the current Australian monetary policy framework allows the RBA to look through events like the recent floods, which impacted on food prices due to crop losses. High oil prices are making things difficult for central banks worldwide; in advanced economies they have to balance controlling inflation and stifling recoveries. In emerging economies the balance is between reining in inflation and maintaining high growth rates.

Figure 4 – Trading Partner Inflation



Source: Datastream

Global fiscal concerns continuing

Euro sovereign debt woes increased in April. Following last month's credit downgrades and resignation of the Prime Minister, Portugal's caretaker government officially requested a bailout from the European Commission (and thus the IMF). The final bailout package, presently being negotiated, will likely be about €90 billion and will require a significant fiscal tightening in order to go ahead. Greek debt has been in the news again, with talk of a restructuring of debt pushing government debt two-year yields above 25% in late April. Both Greek and Portuguese fiscal deficits for 2010 are much worse than previous targets, at 10.5% and 9.1% of GDP respectively. However, the Euro area as a whole improved, with the average deficit decreasing from 6.3% in 2009 to 6.0% in 2010. Total euro area government debt rose to 85.1% of GDP in 2010 from 79.3% in 2009, and will continue to increase until the deficits are brought under control.

Attention this month also turned to the United States' fiscal issues. Standard & Poor's lowered the US AAA long-term credit rating to a negative outlook, meaning there is a one-in-three chance of a downgrade in the next two years. Markets initially fell, but soon shrugged off the news, mainly as the US's fiscal problems were already well known. The US faces a tough situation with a fiscal deficit estimated to be almost 11% of GDP for 2011, up from 8.9% in 2010. Although both political parties agree there need to be cuts, they disagree where they need to be made. Big changes will have to be made during the next few years to bring the deficit to a more sustainable level in the medium and long run.

Japan responds to disaster

During the month the Japanese government approved the first of what will be several earthquake budgets. This budget saw ¥4 trillion (US$48.5 billion, 1% of GDP) allocated for earthquake relief. The government has managed to do this without issuing additional debt so far; they have mainly cut spending in other areas like foreign aid and payments to families, as well as dipping into reserves for pension payouts. Some analysts are tipping that the government will have to spend upwards of ¥10 trillion (2.2% of GDP) for the rebuild. The government will almost certainly have to issue additional government bonds, but is also considering raising an already unpopular sales tax in order to reduce reliance on borrowing. The OECD have downgraded their 2011 growth forecasts for Japan to 0.8%, down from 1.7% previously, due to the wide-ranging impact of the disaster. They boosted their 2012 growth forecast to 2.3%, up from 1.3%, due to the growth impact of the rebuild.

Looking ahead

Labour market reports, released next week, are the major data release in May. Also made public in May will be the government's Budget, out 19 May, including Treasury's latest set of economic forecasts.

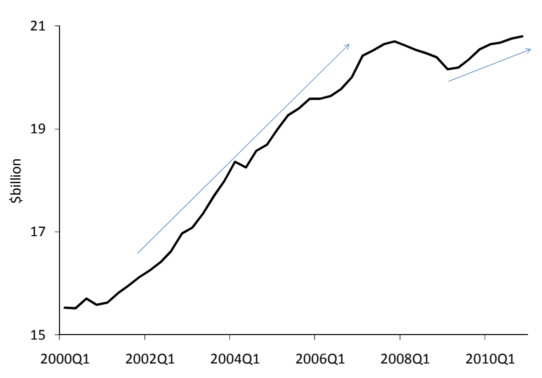
Special Topic: Household balance sheet adjustment

This piece considers the impacts of balance sheet adjustment on consumer spending. To date household balance sheets have adjusted modestly: household debt continues to expand, albeit more slowly, but is a little lower as a proportion of disposable income. This implies that either households are broadly comfortable with the historically high debt share of income, or that a large proportion of the adjustment has yet to come. Both scenarios have important implications for saving: for any given level of income and assets, maintaining or reducing current debt levels is synonymous with less spending and more saving than has been the case in the past.

Household deleveraging …

Household spending grew strongly for most of the past decade but in 2008 it began to fall as consumers adjusted to an onslaught of negative factors: high levels of indebtedness, high interest rates, declines in house prices, tight credit, rising unemployment and low confidence. Household spending has recovered to its pre-recession peak but its growth rate has been relatively subdued (Figure 5). How strong spending will be in the years ahead depends importantly on how much progress has been made in adjusting household balance sheets, how much more adjustment may be needed and how that additional adjustment affects household spending.

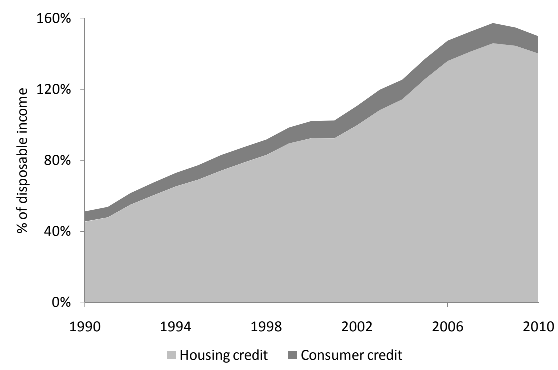
Figure 5 – Real household consumption



Source: Statistics NZ

The recent boom in mortgage credit left households more highly leveraged – that is, with a higher proportion of debt to assets or income - than probably at any time in history. Household liabilities more than doubled in just 6 years, from $80 billion in 2001 (105% of household disposable income (HDI), Figure 6) to $170 billion in 2007 (156% of HDI). The increase in debt was almost entirely due to the accumulation of mortgage debt.

Figure 6 – Household debt



Source: Reserve Bank

Households have begun to rein in their liabilities, growth in total household credit slowed to 1% in the year to December 2010, down from an average of 14% over the 2001-2007 period. Consumer debt fell 0.5% in 2010, following a 5% fall the previous year. Mortgage debt rose $3.3 billion in the year to December 2010, the smallest rise in 17 years, but when adjusted for house prices it is less than half the lowest increase on record (ie since 1990). However, the recent rise in mortgage approvals points to a pick-up in the growth rate of mortgage debt over the year ahead. Overall, the debt-to-income ratio has fallen by around 10 percentage points from its peak of 160% in 2008.

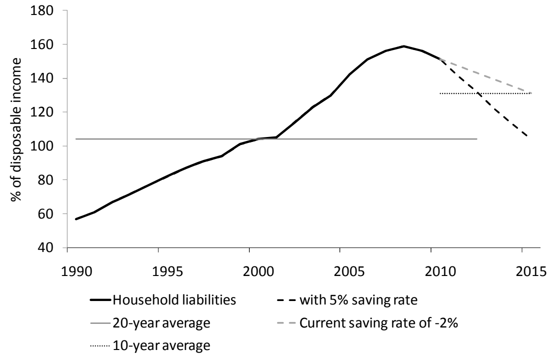
…**more to come?**

With household debt continuing to rise, the limited decline in leverage has come from rising incomes. However, with the debt share of income remaining very high, further deleveraging is likely.

How much further the debt-to-income ratio has to fall is hard to say, but history may provide some guide. The 20-year average debt-to-income ratio is around 100%; debt was last at that level in 1999, while the 10-year average is around 130%; debt was last at that level in 2004 (Figure 7).

Figure 7 also shows two possible paths of adjustment – one with deleveraging at the current rate and one associated with a significant increase in saving. If households want to try to lower the debt-to-income ratio to its 20-year average in five years, the saving rate would have to jump immediately to around 5% from its current rate of -2% (this assumes disposable income growth of 4.5% per year, that households use all their saving to pay down debt and that the economy expands enough to allow income and saving to rise that degree).

Figure 7 – Scenarios to reduce leverage



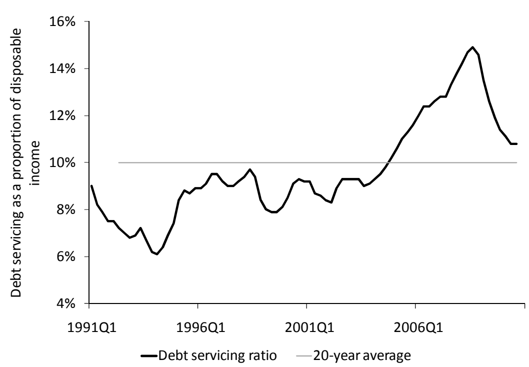
Source: Reserve Bank, Treasury

However, the absence of a decline in household debt so far suggests that a longer time horizon for adjustment may be more realistic. If households were content to let income growth do all the adjustment then, provided debt did not increase, it would take around a decade to reach the 20-year average. Using the 10-year average debt-to-income ratio as the objective, the adjustment over the past two years has moved households around a third of the way towards the objective.

Debt service payments down from peak

Another measure of household debt burdens is the debt servicing ratio, which tracks the share of income that is going to service debt (Figure 8).

Figure 8 – Debt servicing ratio



Source: Reserve Bank

From an average of less than 8% over the 1990s, debt service payments shot up to 15% in mid-2008 before falling to their current level of around 11%, which is not too far from its 20-year average. At current interest rates the debt servicing requirements do not point to a need for households to significantly reduce their debt. However, interest rates will rise, which implies that households will need to remain conservative in their uptake of debt if the debt service ratio is to remain around its current level.

Household wealth less affected

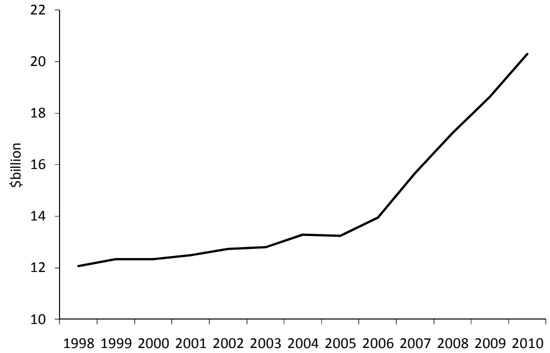
Focussing just on the liabilities side of the balance sheet gives only half the picture. A fuller explanation of household balance sheets takes into account the fact that much of the rise in leverage over the past decade was associated with a rise in assets as well. Borrowing rose rapidly as house prices rose. Debt ratios rose but asset ratios rose even more. Debt-to-income rose by around 40 percentage points between 2002 and 2008 while assets-to-income rose by 150 percentage points. In 2008 the fall in house and equity prices, the collapse of a number of finance companies and the diminished prospects for future house price appreciation resulted in net wealth falling by $58 billion (9%) from $635 billion in 2007. A substantial proportion of this loss was regained in the following year as asset prices rose.

Net wealth is unlikely to have improved much, if at all, in 2010, particularly in light of the Canterbury earthquake and flat to falling house values. A desire by households to recover lost wealth may also be a factor behind the reduced appetite for debt. In 2009 household net wealth was around 2% lower than its 2007 peak, although the net wealth to disposable income ratio was around 50 percentage points below its peak. So while only a modest increase in asset values is required to regain wealth lost in the recession, a much greater increase in net assets is required to restore the previous asset to income ratio. Even to maintain the current net wealth to income ratio would require an increase in the saving rate to further restrain the growth in debt and/or enable households to purchase assets.

Drivers of the saving rate

The current observed saving rate is likely being affected by a number of recent government policy changes including KiwiSaver, Working for Families and income tax changes. Household disposable income has continued to grow over the last two years, which has lifted the saving rate as consumption has fallen (saving is defined as disposable income less household outlays). Government transfers have provided an important boost to disposable income (Figure 9).

Figure 9 – Government transfers have boosted income



Source: Statistics New Zealand

Certain transfer payments such as unemployment benefits work as “automatic stabilisers”, rising during recessions. However, the rise in transfers begins well before the downturn begins to impact employment. In the year to June 2010, Working for Families contributed over $2.6 billion to household incomes. In aggregate, government cash transfers comprised 17% of household disposable income, up from 14% in 2006. Benefits in kind, such as early childhood education subsidies, have also helped to reduce outlays. To the extent that the government slows spending in these areas, households may need to further restrain consumption.

Implications for consumption

Overall, our analysis suggests that households have made some progress in reducing debt ratios and debt service burdens, but the process may have a lot further to run. At the very least, barring an unexpected surge in asset prices, households will be looking to reduce their exposure to debt through higher saving. The debt-to-income ratio remains very high, the debt servicing ratio is likely to rise as interest rates increase and net wealth has fallen. The desire to increase saving will continue to be a drag on consumption spending.

How much the saving rate does actually rise also depends on what else is affecting GDP growth. Because the saving rate cannot rise unless consumer spending is growing more slowly than income, a sector other than consumption must drive GDP for growth to be strong enough to support an increase in saving. The prospects there are mixed. Net exports will begin to fall as the Canterbury reconstruction sucks in imports. The government deficit is expected to peak this year and the government will be withdrawing stimulus from the economy as it looks to meets its objective for budget balance. On the positive side, residential and commercial construction will grow strongly as the Canterbury rebuild gets underway. This will feed through to manufacturing firms who provide materials and to other related service and support industries. The strong terms of trade will also support household income and provide scope for increased saving.

Monthly Economic Indicators is a regular report prepared by the Macroeconomic Forecasting and Analysis section of the Treasury.

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New Zealand Key Economic Data

29 April 2011

Quarterly Indicators

		2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.2	0.9	0.7	0.1	-0.2	0.2	...
	ann ave % chg	-2.8	-2.1	-0.7	0.4	1.3	1.5	...
Real private consumption	qtr % chg[1]	0.8	1.0	0.5	0.2	0.4	0.2	...
	ann ave % chg	-1.3	-0.7	0.4	1.4	1.9	2.0	...
Real public consumption	qtr % chg[1]	0.3	0.6	1.6	0.4	-0.8	1.2	...
	ann ave % chg	1.9	0.6	0.2	1.1	1.5	2.3	...
Real residential investment	qtr % chg[1]	-3.4	5.8	-0.3	10.5	-7.5	-7.2	...
	ann ave % chg	-24.8	-18.1	-13.0	-4.3	3.5	2.8	...
Real non-residential investment	qtr % chg[1]	-3.4	-1.1	0.1	4.4	0.3	8.3	...
	ann ave % chg	-6.1	-8.1	-8.3	-7.1	-3.8	2.2	...
Export volumes	qtr % chg[1]	1.1	-0.6	1.3	0.4	-0.9	2.1	...
	ann ave % chg	-1.7	1.7	4.6	4.7	3.7	3.0	...
Import volumes	qtr % chg[1]	1.2	4.7	2.5	0.4	3.4	6.6	...
	ann ave % chg	-16.1	-14.6	-9.4	-1.8	5.6	10.2	...
Nominal GDP - expenditure basis	ann ave % chg	0.8	0.7	1.1	2.0	3.1	4.8	...
Real GDP per capita	ann ave % chg	-3.8	-3.1	-1.9	-0.8	0.1	0.3	...
Real Gross National Disposable Income	ann ave % chg	-1.8	-1.5	0.4	0.8	2.8	4.6	...
External Trade								
Current account balance (annual)	NZ$ millions	-5946	-5204	-4458	-5707	-4189	-4381	...
	% of GDP	-3.2	-2.8	-2.4	-3.0	-2.2	-2.3	...
Investment income balance (annual)	NZ$ millions	-8059	-7930	-7627	-9026	-10692	-10588	...
Merchandise terms of trade	qtr % chg	-1.6	5.8	6.1	2.0	3.0	0.6	...
	ann % chg	-14.1	-8.2	0.1	12.7	17.9	12.2	...
Prices								
CPI inflation	qtr % chg	1.3	-0.2	0.4	0.2	1.1	2.3	0.8
	ann % chg	1.7	2.0	2.0	1.7	1.5	4.0	4.5
Tradable inflation	ann % chg	-0.1	1.5	2.0	1.0	0.3	3.3	3.7
Non-tradable inflation	ann % chg	3.0	2.3	2.1	2.2	2.5	4.6	5.2
GDP deflator	ann % chg	0.9	-1.5	0.1	1.6	2.5	5.3	...
Consumption deflator	ann % chg	1.9	1.2	0.8	0.7	1.1	3.0	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	-0.8	0.1	1.0	-0.3	1.1	-0.5	...
	ann % chg[1]	-1.8	-2.4	-0.1	0.0	1.9	1.3	...
Unemployment rate	%[1]	6.5	7.0	6.0	6.9	6.4	6.8	...
Participation rate	%[1]	68.0	68.1	68.1	68.1	68.3	67.9	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.5	0.4	0.3	0.4	0.5	0.5	...
	ann % chg	2.1	1.8	1.5	1.6	1.6	1.7	...
QES average hourly earnings - total[5]	qtr % chg	0.9	-0.2	-0.4	0.7	1.0	0.5	...
	ann % chg	4.0	2.8	1.0	1.0	1.1	1.8	...
Labour productivity[6]	ann ave % chg	-1.1	0.0	2.0	1.9	1.3	0.0	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	1.1	0.8	0.3	0.2	0.0	0.0	...
	ann % chg	0.6	2.2	3.0	2.6	1.5	0.3	...
Total retail sales volume	qtr % chg[1]	1.1	1.2	0.4	0.6	-0.4	-0.4	...
	ann % chg	-1.4	0.4	3.2	3.4	1.9	-0.1	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	120	117	115	119	114	108	98
QSBO - general business situation[4]	net %	35.6	30.7	21.9	17.5	6.4	8.1	-26.8
QSBO - own activity outlook[4]	net %	23.0	10.8	14.5	11.3	9.5	11.4	-1.6

Monthly Indicators

		2010M10	2010M11	2010M12	2011M 1	2011M 2	2011M 3	2011M 4
External Sector								
Merchandise trade - exports	mth % chg[1]	4.4	0.4	-1.6	2.8	4.6	-0.9	...
	ann % chg[1]	24.2	19.5	12.1	4.7	16.5	11.0	...
Merchandise trade - imports	mth % chg[1]	0.0	4.3	5.6	-1.3	6.7	-0.4	...
	ann % chg[1]	13.3	15.2	16.7	15.4	22.5	16.6	...
Merchandise trade balance (12 month total)	NZ$ million	1259	1363	1172	911	775	631	...
Visitor arrivals	number[1]	210110	211820	214440	218300	209500	...	...
Visitor departures	number[1]	213320	211340	211570	220260	214560	...	...
Housing								
Dwelling consents - residential	mth % chg[1]	-1.9	8.0	-18.4	9.1	-9.7	...	...
	ann % chg[1]	-17.4	-9.1	-26.5	-14.8	-28.9	...	...
House sales - dwellings	mth % chg[1]	-9.8	19.8	3.8	-6.8	2.5	4.5	...
	ann % chg[1]	-36.0	-14.9	-11.5	-10.0	-10.1	-5.1	...
REINZ - house price index	mth % chg	-0.9	1.9	-0.6	-2.6	2.3	0.5	...
	ann % chg	-3.5	-1.9	-1.6	-2.6	-0.7	-1.8	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.9	1.0	-0.9	2.4	-0.2	1.3	...
	ann % chg	4.8	6.3	4.4	5.7	6.2	6.6	...
New car registrations	mth % chg[1]	-3.7	13.6	-8.6	0.8	-1.1	-0.2	...
	ann % chg	9.4	23.5	6.4	6.8	2.8	-1.0	...
Migration								
Permanent & long-term arrivals	number[1]	7210	7000	6890	7000	6890	...	...
Permanent & long-term departures	number[1]	6680	6410	6180	6560	6430	...	...
Net PLT migration (12 month total)	number	12610	11519	10451	8689	8249	...	...
Commodity Prices								
Brent oil price	US$/Barrel	83.34	85.80	91.96	96.95	104.24	114.92	*123.01*
WTI oil price	US$/Barrel	81.90	84.15	89.37	89.52	89.41	102.94	*109.81*
ANZ NZ commodity price index	mth % chg	0.8	1.3	4.5	2.3	2.9	8.1	...
	ann % chg	28.2	15.7	16.1	20.4	15.3	24.2	...
ANZ world commodity price index	mth % chg	3.5	4.5	2.0	3.8	2.7	4.7	...
	ann % chg	31.4	23.7	23.0	27.2	25.9	29.6	...
Financial Markets								
NZD/USD	$[2]	0.7501	0.7727	0.7504	0.7653	0.7623	0.7408	*0.7849*
NZD/AUD	$[2]	0.7647	0.7805	0.7573	0.7692	0.7565	0.7333	*0.7456*
Trade weighted index (TWI)	June 1979 = 100[2]	66.70	68.90	67.80	68.70	67.80	65.20	*68.15*
Official cash rate (OCR)	%	3.00	3.00	3.00	3.00	3.00	2.50	2.50
90 day bank bill rate	%[2]	3.18	3.17	3.17	3.19	3.13	2.69	*2.64*
10 year govt bond rate	%[2]	5.09	5.49	5.82	5.61	5.56	5.58	*5.71*
Confidence Indicators/Surveys								
National Bank - business confidence	net %	23.7	33.2	29.5	40.6	34.5	-8.7	14.2
National Bank - activity outlook	net %	30.5	35.3	34.5	40.2	36.6	14.7	29.5
ANZ-Roy Morgan - consumer confidence	net %	113.6	114.5	112.2	117.1	108.1	101.4	101.4

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 Ordinary time
6 Production GDP divided by HLFS hours worked

Sources: Statistics New Zealand, Reserve Bank of New Zealand, ANZ National Bank of New Zealand, NZIER, Datastream, Westpac McDermott Miller