Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

June 2011

Executive Summary

- **Economy likely grew modestly in the March quarter**
- **External accounts reflect strong export demand and the financial costs of the two major Canterbury earthquakes**
- **Business optimism points to an acceleration in growth, but that is dependent on continued world growth.**

Tentative signs of economic recovery early in the year were interrupted by a second devastating earthquake in Canterbury. Nationwide business and consumer confidence deteriorated sharply, business activity in Christchurch was severely disrupted, and tourism flows through Christchurch and the South Island were substantially reduced. Despite this, partial indicators of activity in the March quarter have been firm enough to suggest that March quarter GDP statistics, to be released on 7 July, will show the economy grew modestly.

Industries to expand in the March quarter include retail trade, wholesale trade, manufacturing and primary industries. Other service industries, including property and business services, and health and community services, are also likely to have expanded. Construction activity contracted in the quarter, with falls in both residential and non-residential construction. There are few direct indicators of activity in the communication, hospitality and transport industries, but we know that the earthquake has disrupted both supply and demand for these services. However, in line with other data releases to date, we think these negative impacts will be largely confined to Canterbury. Overall, we think the economy likely grew by 0.3% in the quarter.

The financial costs of the earthquakes are reflected directly in the external accounts via inflows of insurance from non-resident reinsurers. Statistics New Zealand's estimate of insurance claims on overseas insurers now totals $11.2 billion for the two major earthquakes. Until settled, these claims are treated as offshore assets and have temporarily lowered New Zealand's net international liability position to around 75% of GDP, from 86% in March 2010. The country's trade surplus with the rest of the world, which is now close to a 20-year high, is being supported by high commodity export prices and volumes. Moderate household spending growth is providing a further boost to the trade surplus by holding down imports of consumer goods.

Early indications for the June quarter are that lower interest rates and income gains from the rising terms of trade are beginning to provide meaningful support to the level of activity. There are encouraging signs in the housing market and retail spending has likely continued to grow modestly, restrained by weak household credit demand. Export prices have increased further, contributing to record export receipts in April, and prices of imported commodities, including oil, have eased.

Current levels of business optimism are consistent with accelerating growth over the year ahead. Whether that is realised or not will be influenced by the way the global recovery story develops and how events in Greece unfold.

Our Special Topics this month look at: how exchange rate variability affects economic growth; and recent developments in Greece and their implications for New Zealand.

New Zealand Government

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Analysis

Economy likely grew modestly in March…

Tentative signs of economic recovery early in the year were interrupted by a second devastating earthquake in Canterbury. Nationwide business and consumer confidence deteriorated sharply, business activity in Christchurch was severely disrupted, and tourism flows through Christchurch and the South Island were substantially reduced. We had expected this disruption to cause the economy to contract in the March quarter. However, partial indicators of activity over the quarter have been firm enough to suggest that March quarter GDP statistics, to be released on 7 July, will show the economy grew modestly.

Early indications for the June quarter are that lower interest rates in the period since March, and income gains from the stronger terms of trade are gaining traction. We expect activity will rise further in the June quarter, but within the bounds of our forecast for GDP to grow less than 1% over the first two quarters of the year. Further impetus will come in the September quarter from the Rugby World Cup and from easing uncertainty around the Canterbury reconstruction programme.

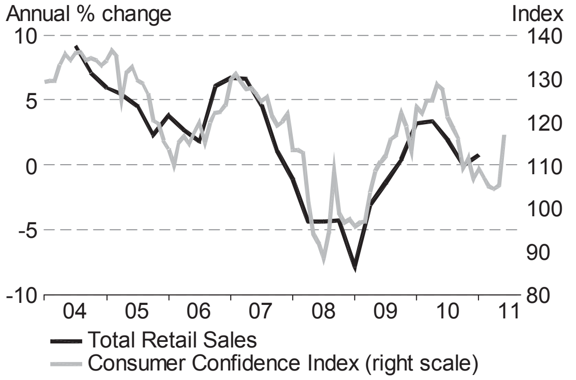
Retail trade starts the year solidly…

Nationally, the value of retail sales rose 2.0% in the March quarter, rising in all regions except Canterbury where the value of sales fell 2.2%. The rise in sales values, the largest quarterly increase since June 2009, comprised a 1.1% rise in prices and a 0.9% rise in volumes. Higher fuel prices, up 10% in the quarter, accounted for a large proportion of the price rise, while motor vehicle sales drove the rise in volumes. Excluding motor vehicle-related spending, over half the volume rise came from internet-based trading; this is a new category in the survey and it will be interesting to watch developments.

Despite strong growth in the quarter, total retail sales volumes were a modest 0.8% higher than the same quarter a year ago (Fig 1). Rising fuel and food prices, up 17% and 5.5% respectively from a year ago, have weighed on household spending, as has the general desire by households not to increase debt levels.

Since March, consumer confidence has recovered (Fig 1), and household spending, as recorded in Statistics New Zealand's Electronic Card Transactions, looks to have built on March's gains. However, household credit growth remains anaemic, up 0.4% ($760 million) in the six months since November.

Figure 1 – Retail sales and consumer confidence



Source: Statistics New Zealand, ANZ Roy Morgan

…but residential construction falls

Households' limited appetite for more debt has been an important factor in the decline in residential construction activity, which contracted for the third consecutive quarter in March. The 2.1% fall in building activity was not exclusive to Canterbury, with Statistics New Zealand noting construction volumes also fell in the remainder of the country. Non-residential construction also fell, down 10.4% in the quarter.

The construction outlook for June remains weak. Building consents continued to trend down in May (Fig 2). However, the rate of decline has slowed, to -0.7% in May, from -3% late last year, and there are signs the trend may be about to turn. Consents for new dwellings identified as earthquake-related rose to 68 in May, almost double the number of earthquake-related consents already issued, and helped consents in the Canterbury region to rise 6% from their level a year ago. There are also signs that demand for existing homes is rising, which will likely flow through to increased construction activity.

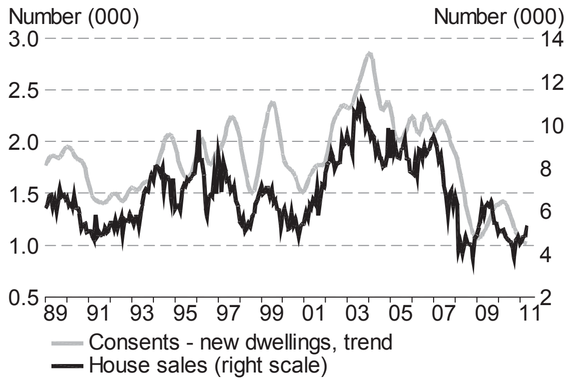
Property market lifts from low levels…

Stronger demand in the property market is reflected in the number of sales beating year ago levels for the first time in 17 months. Auckland is leading growth in turnover, with sales up 16% on a year ago, although growth in other centres also rose strongly in May, contributing to a nationwide increase in sales of 11%.

At the same time, demand for housing from recent arrivals to New Zealand is weakening. Net migration flows have reversed since the Christchurch earthquake of 22 February. A seasonally adjusted net outflow of 1,000 was recorded over the three months to May. Permanent and long-term (PLT) departures from Christchurch are almost twice as high as they were last year, and there have been fewer arrivals. Annual net migration has fallen to 4600 in the year ended May 2011 from 18,000 in the previous year, driven by increasing departures, up 22% to 79,200. Arrivals have been relatively flat, up by 1,000 from a year ago to 83,800 in the year ended May 2011.

Overall, housing turnover remains at a very low level (Fig 2), which helps explain why prices remain below their year ago levels (down 0.7% on May 2010) and prices are likely to remain flat over the rest of the year. The impairment of the Christchurch housing market is also part of the story – sales in Christchurch are 30% down on the same time last year. The government's offer to buy severely damaged properties in Christchurch helps reduce some of the uncertainty in the market and may help to spur on the rebuilding effort.

Figure 2 – Consents and house sales



Source: REINZ, Statistics New Zealand

More generally, while housing market activity remains weak we see little prospect of consumption growth reaching the rates it did over the middle of the past decade. Even with the recent lift in consumer confidence, confidence remains low relative to its level over the past decade. Our expectation is that high household debt and sluggish income growth will constrain private consumption to an annual growth rate of around 2% over the year ahead.

…as do wholesale trade and manufacturing

With household spending growth remaining modest the business sector is expected to be the major driver of growth in 2011.

Manufacturing and wholesaling firms have begun the year on an upward note. Wholesale trade sales rose strongly, up 2.8% in the March quarter, the largest rise in four years. Using the same classification system as the GDP accounts, and taking into account the 3% rise in March's Wholesale Producers Price Index, we estimate volumes grew around 1% in the quarter.

The volume of manufacturing sales rose 1.9% in the March quarter, building on a 3.7% increase in the previous quarter. Excluding meat and dairy product manufacturing, the volume of sales was up 2.5% in the quarter, and back to the same level it was a year ago.

Exports of machinery, equipment and appliances have performed rather better, with sales growing 6% over the year to March, but still 8% down from its 2008 levels.

Manufacturing activity more generally has yet to lift appreciably from its post-financial crisis lows, but indications from the BNZ/Business NZ (BNZ/BNZ) Performance of Manufacturing Index are that activity has continued to increase in the June quarter.

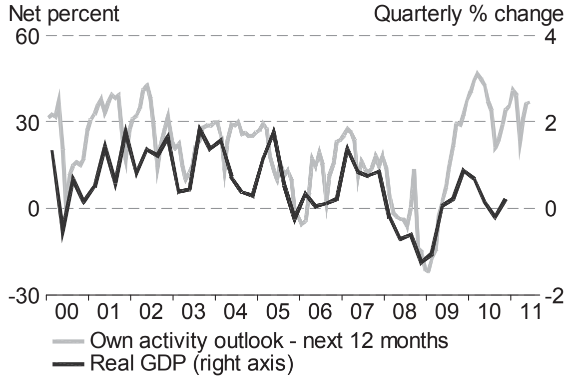
Primary industries too likely performed well over the quarter, with dairy output up as the drought towards the end of 2010 was followed by what Fonterra described as "exceptionally favourable" conditions for pasture growth. Forestry too has performed well judging by export volumes, which rose 4.8% in the March quarter to a fresh high.

Growth in services, other than retailing and wholesaling, has been modest according to the BNZ/BNZ Performance of Services Index (PSI). Property and business services, and health and community services expanded at a reasonable clip in the March quarter. Other service industries, particularly hospitality, transport and communication are likely to be among the most disrupted by the earthquakes; however, the methods chosen by Statistics NZ to assemble other data have shown surprisingly little impact to date. Assuming this pattern continues, we expect quarterly growth of around 0.3% in March.

Business confidence consolidates

Business confidence in their own activity outlook was at a high level prior to February's earthquake and dipped sharply, but temporarily, immediately after. Gains made in May's National Bank Business Outlook (NBBO) have held in June with similar levels of optimism being recorded for firms' own activity outlook, profit expectations, investment and employment intentions. Current levels of business optimism are consistent with accelerating growth over the year ahead (Fig 3). Whether that is realised or not will be influenced by way the global recovery story develops and how events in Greece unfold.

Figure 3 – Business confidence and growth

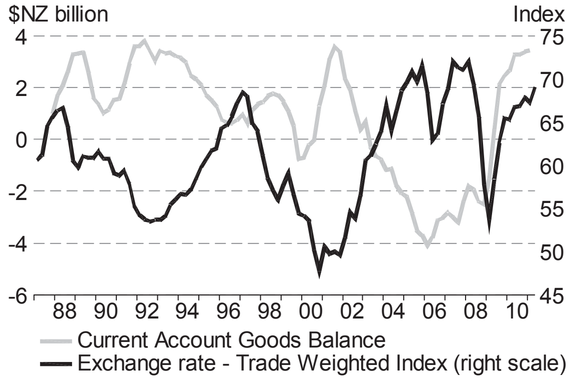


Source: Statistics New Zealand, ANZ/National Bank

Exports and earthquake drive external accounts

The country's trade with the rest of the world yielded a surplus of $2.8 billion in the year to March 2011 – the second largest surplus in almost 20 years. Notably, the current surplus is not the product of a weak exchange rate (Figure 4), but is driven by firm export demand and relatively low import values.

Figure 4 – Goods balance and the exchange rate



Source: Statistics New Zealand, ANZ/National Bank

Import prices rose strongly in March as oil and other commodities moved sharply higher, but prices have retreated since then. In contrast, export commodity prices have continued to rise – likely leading to a fresh peak in the country's terms of trade in the June quarter. With the pace of world growth expected to slow over the second half of the year we are not expecting export commodity prices, or the terms of trade, to lift further.

Export values continued to rise in April, reaching a record monthly high of $4.7 billion. However, April's gains were reversed in May as the value of dairy exports fell for the first time in five months. Notably, there was no offset to the 18% fall in dairy volumes from higher prices, consistent with the easing in dairy prices seen at Fonterra's auctions since April's peak.

Imports of plant and machinery have continued to recover from their recent lows, up 13% in the year ended May, underpinning investment growth.

In contrast to goods exports, services exports have not been fairing so well. Services exports fell to a 7-year low in the year to December, but lifted a little in the year ended March. Tourism (exports of travel services) has been the main contributor to recent falls in services exports as rising visitor numbers have been more than offset by a falling visitor spend. It's hard to see March's gains being held in the June quarter given disruptions from the Christchurch earthquakes, ash-laden skies and a delayed ski season. However, cooler temperatures late in June have given the September quarter a promising start.

Across all the data, the $11 billion rise in foreign assets, triggered by insurance claims, probably best reflects the scale of damage caused by the two Canterbury earthquakes. Using information sourced from the insurance industry, Statistics New Zealand estimated the claim on non-resident reinsurers in the March quarter (for the February earthquake) to be $7.6 billion, in addition to $3.6 billion in claims for the September quarter. When domestic insurers make claims against their reinsurance policies the value of the claim is treated as an offshore asset. The value of the asset subsequently reduces as claims are extinguished. As a result New Zealand's net external debt position is temporarily reduced by $11.1 billion. We estimate net international liabilities to be 75% of GDP, close to its cyclical lows early in the 2000s.

Also reflecting the earthquake, falls in insurance company profits contributed to lower earnings by foreign direct investors, helping keep the annual deficit on income stable at $10.8 billion, or 5.5% of GDP. A larger deficit on transfers, driven by greater outflows (official foreign aid) was the main contributor to a marginal widening of the current account deficit to an estimated 4.2% of GDP, from 4.1% in December.

Looking ahead, Statistics New Zealand will continue to revise their figures as more information comes to hand. In addition, the aftershocks of 13 June may lead to more such inflows, albeit probably much smaller than either of the major earthquakes.

In the Budget we estimated total damage from the earthquakes to be around $15 billion. The 13 June earthquake had its greatest impact in areas already affected by the earlier quakes, complicating the task of assessing the extent of incremental damage. At this stage, given the uncertainty involved, our Budget estimate remains broadly appropriate. Likewise, it is too early to say whether this quake will have any implications for the Government's $5.5 billion Earthquake Recovery Fund, which currently allows for considerable uncertainty in damage estimates.

World growth loses momentum…

The world recovery continued throughout June, although the pace has slowed, leading to downward revisions in both *Consensus* and IMF forecasts for 2011. High energy prices combined with natural disasters to slow momentum in the world economy over the past few months. Oil prices have retreated from their highs and production is recovering after the disasters, removing some of the temporary drags on activity.

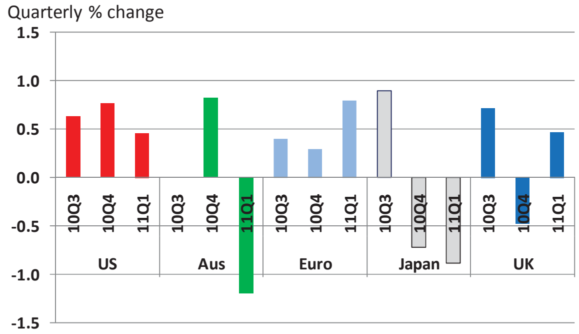
Forecasters have revised down their view of US growth over 2011 in light of weak production indicators, disappointing labour market outturns and the continuing drag from the US housing market.

Forecasters have also revised down their views on growth in Australia and Japan; however, this is mainly due to natural disasters. Australian output contracted in the March quarter (Figure 5), driven by falls in farm output and mining production. However, with the terms of trade the highest in over a 100 years and investment booming we expect a big bounce back in the June quarter. The Japanese economy is expected to contract for the second consecutive quarter in June following February's earthquake. The Japanese supply chain disruption has been evident in production and job data in the US and Canada, especially in the auto industry; we expect it to start alleviating soon.

Forecasts for Japan over the year ahead are wide ranging, reflecting the uncertainty, but growth will firm as the tsunami reconstruction process gets underway over the next year.

China continues to be the driver of world growth, with data released during the month broadly in line with expectations. Other Asian countries such as India are also growing strongly, although not to the extent of China. The possibility of overheating remains a key risk for the region; China's inflation rate was 5.5% for May.

Figure 5 – Real GDP for selected trading partners



Source: Datastream

…and structural drags limit its ability to bounce back

Markets remain nervous about sovereign debt issues, particularly in Greece (see the Special Topic on Greece). This is reflected in falls in equity markets and lower bond yields. Since May the Dow Jones equity index has fallen more than 6.5%, the S&P 500 is down over 7.0%. US 10-year Treasury yields, which had fallen from around 3.4% in May to 2.9% in June, recovered to 3.2% on news that new austerity measures had been passed by the Greek Parliament.

Also of some concern to the world recovery are the impacts of monetary and fiscal policy tightening. Monetary tightening, in response to growing inflationary pressures, has begun in many economies around the world. Chinese reserve requirement ratios were increased for the sixth time this year in June. India has hiked its policy rate one percentage point this year; more hikes are expected. The European Central Bank is expected to raise rates in July, the second hike this year. That said, inflationary concerns in the developed world have lessened as energy prices and growth prospects have eased.

Fiscal consolidation (discussed in more detail in May's *MEI* Special Topic) is another negative influence on medium-term growth. While forecasts for the UK and Euro area reflect this process, greater uncertainty exists around how to reduce US budget deficits. Large expenditure cuts and/or tax hikes need to be made, which may dampen growth. Japan is in a similar position in this regard; difficult decisions will have to be made, although the rebuild will take precedence.

Special Topic 1: Medium-term exchange rate variability and its impacts

Once again, attention has turned to the currency as the New Zealand dollar achieved a post-float high against the US dollar in June 2011 (although the TWI is still 10% below its 2007 peak). The high New Zealand dollar is unlikely to be welcome news for New Zealand's export or import-competing firms (the so-called tradable sector). In addition to the level of the New Zealand dollar, the medium-term fluctuations (over a multi-year horizon) in the exchange rate – known as exchange rate variability or medium-term cycles – are often cited as a key problem for the tradable sector.

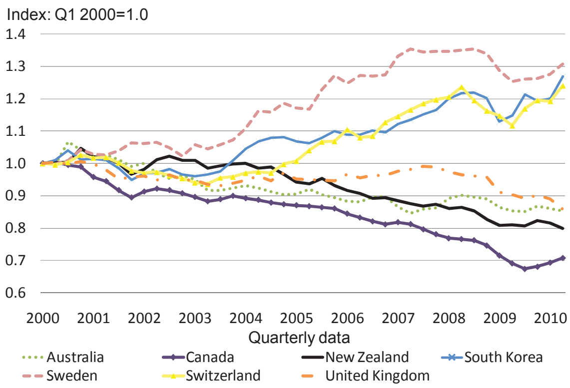
Two recent Treasury Working Papers take a close look at New Zealand's exchange rate variability; how high the variability has been compared to others; what drives it; the impact it has on our tradable sector; and potential policy options for dampening the variability.

The short-term volatility New Zealand's currency experiences is very high, but similar to that experienced in Australia and Japan. This makes it important for firms to hedge against this shorter-term risk. Recent studies confirm that many firms do in fact hedge their currency exposures (Fabling and Grimes, 2008).

New Zealand's tradable sector performance stagnated in 2005 and then declined

The ratio of tradable to non-tradable sector output in New Zealand has been declining for a number of years. This is broadly consistent with several other countries in the OECD, including Australia, Canada and the United Kingdom (Figure 6).

Figure 6 – Real tradable/non-tradable sector ratio



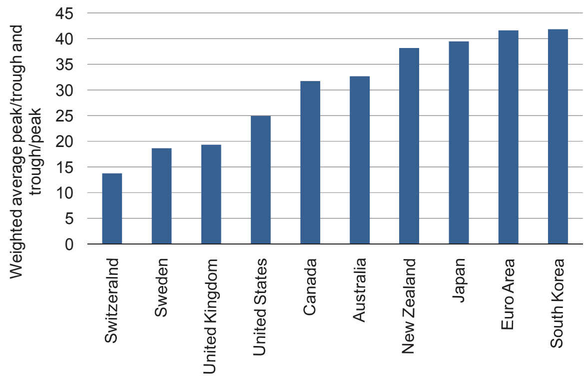
Source: Statistics New Zealand, the Treasury

The decline in New Zealand's tradable/non-tradable output ratio is largely due to a decline in tradable sector output from 2005, with non-tradable output showing consistent growth.

New Zealand's exchange rate has been highly variable, but not uniquely so

Data limitations mean that assessing the medium-term variability of the New Zealand dollar is challenging: New Zealand floated its dollar in 1985. Consequently, there are only a small number of cycles to analyse. Our analysis shows the New Zealand dollar is highly variable but that other relevant currencies, including the Australian dollar, Canadian dollar, South Korean won and the euro, also face a similarly fluctuating exchange rate over the medium-term (Figure 7).

Figure 7 – Medium-term exchange rate variability



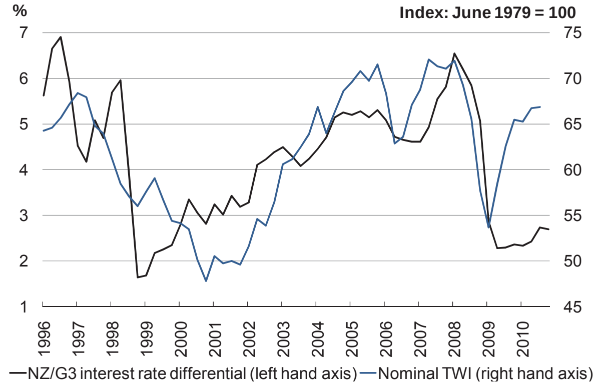
Source: Bank for International Settlements, the Treasury

We can identify several key drivers of exchange rate variability, but the relative importance varies over time

Ultimately, the exchange rate is a relative concept and movements in bilateral rates are influenced by both global and domestic factors. The importance of global risk aversion was particularly apparent in the wake of the global financial crisis, when the New Zealand dollar temporarily depreciated. Interest rate differentials also play an important role – with many factors influencing these differentials. These factors include domestic drivers such as fiscal policy, housing cycles and migration cycles.

Figure 8 shows that the interest rate channel, while strong over the past two decades, has recently weakened. Currently, high commodity prices are playing a key role in supporting the New Zealand dollar. The New Zealand dollar tends to follow movements in commodity prices, which somewhat insulates commodity exporters from the effects of the exchange rate in both the upswings and the downswings.

Figure 8 – Interest rate differentials and the TWI



Source: Reserve Bank of New Zealand, the Treasury

It is not clear that New Zealand's tradable sector's performance is the direct result of exchange rate variability...

Exchange rate fluctuations may impact negatively on export and import-competing firms because of the uncertainty they create. This uncertainty may discourage firms from investing, innovating and trading. Data limitations make it difficult to assess the extent of this impact of exchange rate variability on the tradable sector.

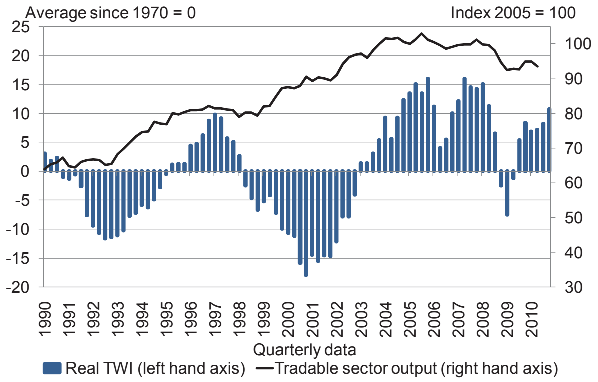
It is also difficult to determine the impacts of short-term exchange rate movements on the tradable sector, despite plentiful data observations. Empirical evidence to date is inconclusive on whether short-term exchange rate volatility has a negative impact on exporters, especially once hedging is controlled for. Some studies find no link, and of those that do, they tend to find only a small negative effect.

Assessing the extent of the variability of a currency and the performance of the respective tradable sector in a number of countries suggests that the link between exchange rate variability and the performance of the tradable sector is not automatic – tradable sector performance is influenced by a range of factors. This implies that exchange rate variability can explain some, but not the entire recent decline we observe in New Zealand's tradable sector.

...but one likely factor is the sustained period of an overvalued exchange rate

Figure 9 shows the level of the real exchange rate relative to its long-run average, alongside tradable sector output. It illustrates a clear period from 2003 when the exchange rate was persistently above its long-run average (with the exception of a brief period following the global financial crisis). This has corresponded with the stagnation and then decline of the tradable sector.

Figure 9 – The level of the exchange rate and tradable sector output



Source: OECD

The persistent high level of the exchange rate was a common topic discussed at the Macroeconomic Policy Forum in June 2011. More information on this Forum can be found at: www.treasury.govt.nz/publications/research-policy/conferences-workshops/macroeconomicimbalances

For more information see:

- Fabling, Richard and Arthur Grimes (2008) "Do Exporters Cut the Hedge? Who hedges and why" Ministry of Economic Development, Occasional paper 08/02;
- Mabin, Gemma (2010) "New Zealand's Exchange Rate Cycles: Evidence and Drivers" Treasury Working Paper 2010/10; and
- Mabin, Gemma (2011) "New Zealand's Exchange Rate Cycles: Impacts and Policy" Treasury Working Paper 2011/01.

Both Treasury working papers are available at: www.treasury.govt.nz/publications/research-policy/wp

Special Topic 2: Greek sovereign debt crisis

Recent developments in Greek debt crisis

During June markets came to believe that Greece would be unlikely to meet the fiscal targets required to receive its next tranche of the bailout package agreed with the EU and IMF in May 2010. Despite previous austerity cuts, the government appeared likely to miss the 7.4% deficit target originally set out for 2011 as tax receipts came in lower than expected. Markets became concerned that without the next €12.5 billion of bailout funds, Greece would default on its debt, causing a chain reaction amongst banks in Europe (and possibly elsewhere).

These fears were quelled somewhat later in the month as a confidence vote for the current Greek government and new austerity measures were passed by its parliament. Even though Greece is now expected to receive the next tranche in July, most commentators believe a new bailout package will be required with Greece unlikely to be able to return to the market in 2012 as planned. Many also consider that a restructuring of Greece's debt is inevitable, whether it occurs now or sometime in the future.

Three possible longer-term outcomes

The European Union (EU), European Central Bank (ECB) and the International Monetary Fund (IMF) will continue discussions in July on the new bailout package. Germany has stepped back, to the relief of markets, from its preferred option of a debt swap – bondholders would have been incentivised to swap existing bonds for longer maturity bonds. This option would have avoided the EU/ECB/IMF having to advance Greece additional funds, but may have been considered a default, triggering a further downgrade of Greek debt and pressure on creditor banks.

A more likely option is a debt rollover – national finance ministers would negotiate with their locally affected financial institutions to buy new Greek bonds, maturing several years later. (France and Germany appear to be advancing this approach.) The debt rollover would involve voluntary participation, which would be expected to be low. The main advantage of this option is that it would not widely be considered a default, although this is not assured. These first two options would include "private sector involvement", ie banks sharing some of the burden and taxpayers would not bear the full cost of the bailout.

The main problem with the third, more radical option, a partial default on Greek debt (a haircut) is that it may have a contagion effect. Depending on the size of the haircut, banks could be severely affected, possibly requiring bailouts themselves to survive. Banks in countries such as Germany and France may survive intact (the main foreign creditors to Greece), but others in Portugal and Spain could suffer, triggering concerns of wider ramifications. There is considerable uncertainty about the impact of a default on financial markets. European authorities are keen to prevent such an outcome, but it is not clear that Greece can completely avoid a default on its debt over the next few years.

Implications for New Zealand limited so far

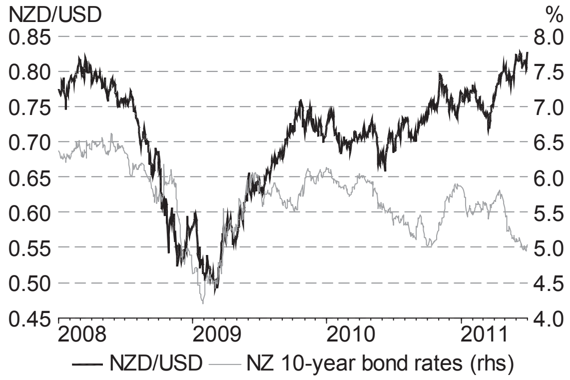
So far the impact on New Zealand has been limited. Yields on government bonds have eased recently (Figure 10); while this is in line with global trends, it shows that New Zealand sovereign debt is still viewed as a safe investment. There is, however, some evidence that the market for commercial bank debt has been affected with one bank postponing a euro-denominated covered bond issue "given the current market volatility and its limited funding needs." European banks' sales of covered bonds fell in June despite their perception as safe assets.

A further deterioration in the Greek crisis would affect New Zealand through trade and/or financial channels. As the Euro area makes up only about 10% of New Zealand's goods exports, the direct effects on trade would be somewhat limited. A general slowdown caused by a contagion effect would lower demand in the region, impacting on commodity prices and export demand. However, unless this had a significant confidence effect, spreading elsewhere in the world, we would expect the direct impact to be limited.

If the contagion effect spread to other parts of the world, the impact on New Zealand could be much greater. In such a case, we would expect the New Zealand exchange rate to provide a buffer, as it did during the global financial crisis in 2008-09. The yield on NZ government bonds also fell at that time, in line with global trends (Figure 10).

The effect on New Zealand through the financial channel could be more significant. A default by Greece would likely trigger markets to more of a "risk off" tone, increasing demand for more "safe haven" assets, such as US Treasury bonds. Typically, the NZD is seen as a risk-sensitive currency, so a Greek default could lead to a depreciation in the NZD, as happened in May 2010 when Greece's first bailout was being negotiated (Figure 10). However, the issue has been less clear-cut recently, with increased interest in New Zealand government bonds on some occasions of greater risk because they are perceived as safe. There may also be an element of market diversification at play.

Figure 10 – NZ dollar and government bond rates



Source: Reserve Bank of New Zealand

Some commentators have suggested that a Greek default could be similar to the Lehman Brothers collapse during the global financial crisis. This saw banks unwilling to lend to each other, driving up funding costs for New Zealand banks. While there may be a slight increase in funding costs in the event of a Greek default, we would expect it would be smaller as there is a clearer picture of the levels of exposure to Greek debt. Another reason for a smaller impact is that since the crisis, the RBNZ has introduced regulations requiring banks to have a lower proportion of short-term funding, lowering the risks to funding costs of high impact events. Nevertheless there would still be risks to New Zealand if Greece were to suffer a sovereign debt default.

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New Zealand Key Economic Data

1 July 2011

Quarterly Indicators

		2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.9	0.7	0.1	-0.2	0.2	...	...
	ann ave % chg	-2.1	-0.7	0.4	1.3	1.5	...	...
Real private consumption	qtr % chg[1]	1.0	0.5	0.2	0.4	0.2	...	...
	ann ave % chg	-0.7	0.4	1.4	1.9	2.0	...	...
Real public consumption	qtr % chg[1]	0.6	1.6	0.4	-0.8	1.2	...	...
	ann ave % chg	0.6	0.2	1.1	1.5	2.3	...	...
Real residential investment	qtr % chg[1]	5.8	-0.3	10.5	-7.5	-7.2	...	...
	ann ave % chg	-18.1	-13.0	-4.3	3.5	2.8	...	...
Real non-residential investment	qtr % chg[1]	-1.1	0.1	4.4	0.3	8.3	...	...
	ann ave % chg	-8.1	-8.3	-7.1	-3.8	2.2	...	...
Export volumes	qtr % chg[1]	-0.6	1.3	0.4	-0.9	2.1	...	...
	ann ave % chg	1.7	4.6	4.7	3.7	3.0	...	...
Import volumes	qtr % chg[1]	4.7	2.5	0.4	3.4	6.6	...	...
	ann ave % chg	-14.6	-9.4	-1.8	5.6	10.2	...	...
Nominal GDP - expenditure basis	ann ave % chg	0.7	1.1	2.0	3.1	4.8	...	...
Real GDP per capita	ann ave % chg	-3.1	-1.9	-0.8	0.1	0.3	...	...
Real Gross National Disposable Income	ann ave % chg	-1.5	0.4	0.8	2.8	4.6	...	...
External Trade								
Current account balance (annual)	NZ$ millions	-5204	-4458	-5707	-7749	-8044	-8300	...
	% of GDP	-2.8	-2.4	-3.0	-4.1	-4.1	...	...
Investment income balance (annual)	NZ$ millions	-7930	-7627	-9026	-10692	-10683	-10666	...
Merchandise terms of trade	qtr % chg	5.8	6.1	2.0	3.0	0.8	0.9	...
	ann % chg	-8.2	0.1	12.7	17.9	12.3	6.8	...
Prices								
CPI inflation	qtr % chg	-0.2	0.4	0.2	1.1	2.3	0.8	...
	ann % chg	2.0	2.0	1.7	1.5	4.0	4.5	...
Tradable inflation	ann % chg	1.5	2.0	1.0	0.3	3.3	3.7	...
Non-tradable inflation	ann % chg	2.3	2.1	2.2	2.5	4.6	5.2	...
GDP deflator	ann % chg	-1.5	0.1	1.6	2.5	5.3	...	...
Consumption deflator	ann % chg	1.2	0.8	0.7	1.1	3.0	...	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.1	0.8	-0.2	1.1	-0.4	1.4	...
	ann % chg[1]	-2.4	-0.1	0.0	1.9	1.3	1.8	...
Unemployment rate	%[1]	7.0	6.1	6.9	6.4	6.7	6.6	...
Participation rate	%[1]	68.1	68.0	68.1	68.2	67.9	68.7	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.3	0.4	0.5	0.5	0.4	...
	ann % chg	1.8	1.5	1.6	1.6	1.7	1.8	...
QES average hourly earnings - total[5]	qtr % chg	-0.2	-0.4	0.7	1.0	0.5	0.4	...
	ann % chg	2.8	1.0	1.0	1.1	1.8	2.6	...
Labour productivity[6]	ann ave % chg	0.0	2.0	1.9	1.3	0.1	...	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	0.6	0.1	0.6	-0.1	0.0	0.7	...
	ann % chg	2.2	3.0	2.6	1.5	0.3	1.4	...
Total retail sales volume	qtr % chg[1]	1.2	0.4	0.5	-0.4	-0.4	0.9	...
	ann % chg	0.4	3.2	3.4	1.9	-0.1	0.8	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	117	115	119	114	108	98	112
QSBO - general business situation[4]	net %	30.7	21.9	17.5	6.4	8.1	-26.8	...
QSBO - own activity outlook[4]	net %	10.8	14.5	11.3	9.5	11.4	-1.6	...

Monthly Indicators

		2010M12	2011M 1	2011M 2	2011M 3	2011M 4	2011M 5	2011M 6
External Sector								
Merchandise trade - exports	mth % chg[1]	-1.6	3.0	4.4	0.7	6.1	-5.5	...
	ann % chg[1]	12.2	4.7	16.3	13.2	18.1	10.4	...
Merchandise trade - imports	mth % chg[1]	5.5	-1.3	6.6	-0.9	-7.9	12.4	...
	ann % chg[1]	16.6	15.4	22.5	15.6	7.6	17.5	...
Merchandise trade balance (12 month total)	NZ$ million	1172	909	765	744	1232	1067	...
Visitor arrivals	number[1]	214040	218850	208660	192030	207530	206910	...
Visitor departures	number[1]	211060	220180	212750	200220	201910	214830	...
Housing								
Dwelling consents - residential	mth % chg[1]	-18.8	9.2	-9.6	2.5	-1.2	2.3	...
	ann % chg[1]	-26.4	-14.9	-28.9	-26.2	-32.2	-22.0	...
House sales - dwellings	mth % chg[1]	3.5	-6.8	2.7	4.8	0.7	10.4	...
	ann % chg[1]	-11.5	-9.9	-10.0	-5.0	-5.2	10.8	...
REINZ - house price index	mth % chg	-0.6	-2.6	2.3	0.5	1.1	-1.8	...
	ann % chg	-1.6	-2.6	-0.7	-1.8	-0.4	-0.7	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	-0.8	2.4	-0.1	1.4	1.5	-0.8	...
	ann % chg	4.4	5.7	6.2	6.6	10.0	6.8	...
New car registrations	mth % chg[1]	-8.0	0.9	-1.5	-0.4	-5.6	3.2	...
	ann % chg	6.4	6.8	2.8	-1.0	-10.5	-3.7	...
Migration								
Permanent & long-term arrivals	number[1]	6890	7010	6930	7080	7120	6940	...
Permanent & long-term departures	number[1]	6170	6570	6480	7600	7240	7290	...
Net PLT migration (12 month total)	number	10451	8689	8249	6554	5508	4625	...
Commodity Prices								
Brent oil price	US$/Barrel	91.96	96.95	104.24	114.92	123.33	114.93	114.24
WTI oil price	US$/Barrel	89.37	89.52	89.41	102.94	110.15	101.30	96.33
ANZ NZ commodity price index	mth % chg	4.0	2.8	2.9	8.1	-3.9	-0.8	...
	ann % chg	5.7	9.9	10.1	18.4	9.8	7.5	...
ANZ world commodity price index	mth % chg	1.6	4.3	2.7	4.7	1.6	0.3	...
	ann % chg	12.1	16.3	20.3	23.5	19.8	19.5	...
Financial Markets								
NZD/USD	$[2]	0.7504	0.7653	0.7623	0.7408	0.7859	0.7959	0.8150
NZD/AUD	$[2]	0.7573	0.7692	0.7565	0.7333	0.7450	0.7447	0.7686
Trade weighted index (TWI)	June 1979 = 100[2]	67.80	68.70	67.80	65.20	68.20	68.70	70.30
Official cash rate (OCR)	%	3.00	3.00	3.00	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	3.17	3.19	3.13	2.69	2.65	2.66	2.65
10 year govt bond rate	%[2]	5.82	5.61	5.56	5.58	5.70	5.23	5.04
Confidence Indicators/Surveys								
National Bank - business confidence	net %	29.5	42.4	34.5	-8.7	14.2	38.3	46.5
National Bank - activity outlook	net %	34.5	41.3	36.6	14.7	29.5	39.7	38.7
ANZ-Roy Morgan - consumer confidence	net %	112.2	117.1	108.1	101.4	101.4	103.3	112.5

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