Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

August 2011

Executive Summary

- **Domestic demand has displayed steady growth over the first half of 2011.**
- **Rugby World Cup, the earthquake rebuild and the high level of the terms of trade will underpin short-term prospects.**
- **However, global developments are leading to slower trading partner growth, thus dampening New Zealand's overall growth outlook.**

Domestic demand has displayed steady growth over the first half of 2011, reflected in higher household spending growth than expected in the *Budget* and the labour market consolidating recent gains.

Employment was flat for the June quarter, leaving it 2.0% ahead of June 2010. Moreover, hiring intentions are positive, pointing to further employment growth in the second half of 2011.

With support from the labour market and income from the high terms of trade, household spending growth continued its momentum from the March quarter into June. Spending rose across most categories with purchases of durables consistent with improving consumer confidence. This confidence extended into the September quarter, indicating further consumption growth over the rest of the year.

Short-term prospects are positive with local drivers the Rugby World Cup (RWC), the earthquake rebuild and the high level of the terms of trade underpinning growth. In August, the estimated number of international RWC visitors was revised up by 10,000 to 95,000. Christchurch is gearing up for the rebuild though most of the construction may not commence until 2012. While export commodity prices may have peaked, they remain high and will help underpin income in the short-term.

However, against this strong backdrop, global developments are leading to slower trading partner growth, thus dampening New Zealand's growth prospects, particularly for the export sector. *Consensus* forecasts of New Zealand's trading partner growth have declined for 2011 and 2012 and we expect further reductions before we finalise our forecasts for the *Pre-election Update*. This global backdrop will continue to shape New Zealand's overall growth outlook.

This issue does not contain a Special Topic, but we review recent data against *Budget* forecasts and look ahead to the *Pre-election Update*, and include an expanded discussion of international developments.

New Zealand Government

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Analysis

Data released over August help us assess the current state of the New Zealand economy and how consistent it is with the *Budget Update* forecasts as well as allowing us to look forward to our *Pre-election Update* (PREFU) forecasts.

Domestic demand has displayed steady growth over the first half of 2011, reflected in the labour market consolidating recent gains and household spending growth. Short-term prospects are positive with local drivers such as the Rugby World Cup (RWC), the earthquake rebuild and the high level of the terms of trade underpinning growth. However, against this strong backdrop, global developments are leading to slower trading partner growth, thus dampening New Zealand's growth outlook, particularly for the export sector.

Labour market consolidates recent gains...

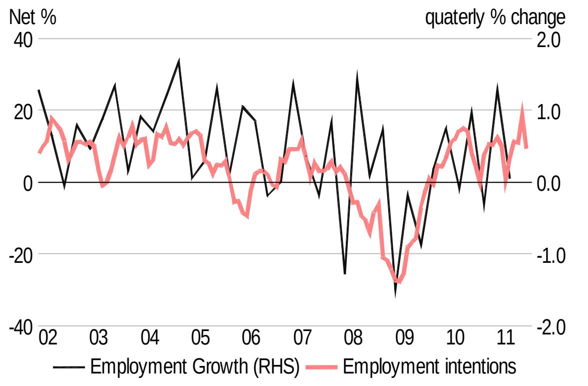
The June quarter Household Labour Force Survey (HLFS) showed the labour market consolidating recent gains with employment flat for the quarter, leaving it 2.0% ahead of June 2010. Employment data in the HLFS often show a zig-zag pattern with a rise in employment followed by a fall; so the 1,000 rise in employment in June, following the 28,000 increase in March, indicates some underlying labour market strength. The unemployment rate also came in steady at 6.5%, and is 0.4 and 0.5 percentage points lower than June 2010 and its global financial crisis (GFC) peak, respectively. The labour force participation rate dropped 0.2 percentage points in the quarter, but remains at a high level.

The June quarter outturns and that of March showed a stronger labour market than envisaged in our *Budget* forecasts; employment is 21,000 (0.9%) higher and the unemployment rate is 0.3 percentage points lower.

...and data point to a new labour market growth phase...

Indicators point towards this strength continuing into the second half of 2011. The National Bank Business Outlook (NBBO) reported hiring intentions at a net 18.9% in July - their highest since 1995. And while this proved short-lived, with hiring intentions then falling back to 9.1% in August on the back of global concerns, this level remains consistent with quarterly employment growth of around 0.5% (Figure 1).

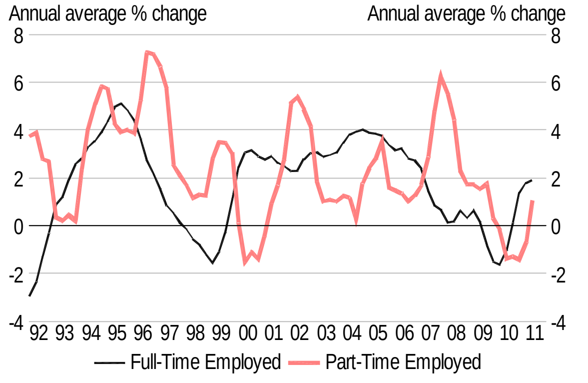
Figure 1 – Employment Growth and Employment Intentions



Sources: Statistics New Zealand, National Bank

Firms' underlying confidence is shown in the split between full-time and part-time employment. During the GFC, firms cut employees' hours and if they did hire, preferred to hire part-time workers. Also, second earners may have entered the labour market on a part-time basis to boost household incomes and similarly older workers may have stayed in the labour force for longer. In recent quarters, this has started to reverse, as shown in Figure 2, with full-time employment growing faster than part-time employment as firms are now confident enough to take on full-time employees. It follows that increasing full-time employment growth and strong hiring intentions point to a new phase in the labour market recovery where employment growth is more sustainable.

Figure 2 – Full and Part-time Employment Growth



Sources: Statistics New Zealand

...while employment fell in Canterbury...

The June quarter was the first to report on the Canterbury region post the February earthquake with employment lower by 12,300 (3.7%) than a year ago compared to 2% growth nationally or 3.7% excluding Canterbury.

Also, the June quarter Labour Cost Index showed the Christchurch rebuild starting to affect construction sector wages with an 8% annual rise in Canterbury and a 5% rise nationwide, contrasting with a 2% rise across all sectors.

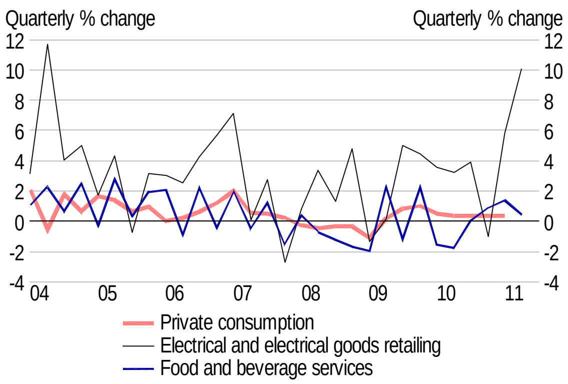
… with after tax wages higher than a year ago

The Quarterly Employment Survey showed gross average weekly earnings rose 4.3% (including a 1.2% increase in average hours worked) over the year to June; taking into account the fall in income tax rates from 1 October 2010, after-tax average weekly wages are estimated to have lifted around 7.5%. With the CPI rising 5.3% over the same period (an estimated 2% of this due to the increase in GST to 15%), someone on the average wage is around 2% better off in June 2011 compared to June 2010.

Household spending kicks on from March...

Household spending growth kicked on from the March quarter with the Retail Trade Survey showing total sales volumes up 0.9% in the June quarter or 1.0% excluding the automotive categories. Durable goods sales led the way with electrical and electronic goods up 10.0%, recreational goods up 5.4%, and motor vehicles and parts up 4.2%. These increases were in line with improving consumer confidence over the quarter with households potentially catching-up on deferred purchases, including rugby fans taking advantage of discounted TVs in time for the RWC.

Figure 3 – Retail Sales and Private Consumption



Sources: Statistics New Zealand, the Treasury

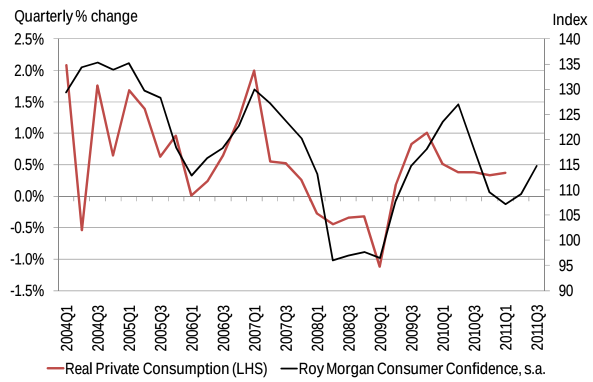
However, we see the increases in durables sales, particularly electronics, as overstating the growth in underlying household spending (private consumption), shown in Figure 3. Increases in accommodation (up 0.5%), food and beverages (up 0.4%), and supermarket spending (up 0.2%, reflecting high prices for milk and fruit and vegetables) appear more in line with the modest improvements in the underlying private consumption growth rate of around 0.5% per quarter.

The household spending growth in the first half of 2011 is higher than incorporated into the *Budget.* However, combined with the subdued housing market and credit growth (see page 8), we see this as consistent with a picture of households relying on income growth to support spending while increasing saving and or at least dissaving less.

...and other indicators point to further growth in the second half of 2011

July Electronic Card Transactions (ECT) showed sales values up 0.5% or 0.4% excluding the automotive groups over the month and are now up 8.0% and 7.4% (including GST) respectively for the year. All groups, except the two automotive groups, increased in July. The largest increases were for hospitality (up 1.5%, possibly due to RWC ticket purchases) and apparel (up 0.8%).

Figure 4 – Consumer Confidence and Real Private Consumption



Sources: ANZ-Roy Morgan, Statistics New Zealand

Meanwhile, consumers brushed off global gyrations (for now) with seasonally adjusted ANZ-Roy Morgan consumer confidence up 1% in August to 115.2. The survey was conducted between 25 July and 7 August, and thus spanned some of the major international developments (see page 5 onwards), as well as the Reserve Bank signalling that they may soon reverse the emergency interest rate cut that followed the Christchurch earthquake. Nonetheless, consumers, on the back of an improving labour market and possibly petrol prices retreating off May highs, edged confidence back up towards its historical average of 118.3 (Figure 4).

…supported by high export prices

New Zealand's terms of trade rose a further 2.3% in the June quarter to a 37-year high, boosting national income and giving a further lift to growth in the second half of the year. However, with many farmers preferring to pay down debt, the flow through to consumption spending may be relatively muted. Commodity export prices have eased a little in recent months – the ANZ commodity world price index was down 2.5% in August from its May peak - and will likely result in some moderation of the terms of trade later in the year.

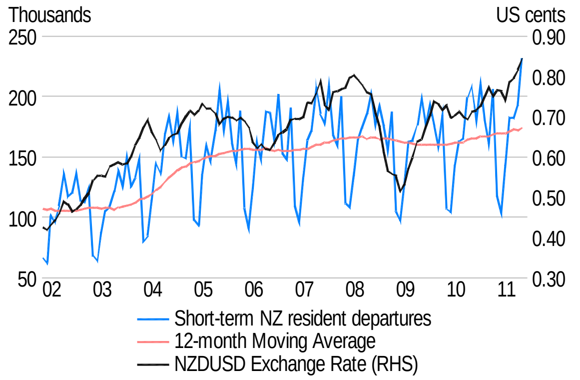
On the volumes side, exports rose 0.5% in the quarter while imports fell 2.4%. However, we think the national accounts GDP measure will show a small decline in export volumes and a small rise in import volumes, thus detracting a little from overall GDP growth in the quarter; we expect GDP growth of around 0.5% in June.

While global developments may eventually weigh on households in the second half of 2011, we expect they will be more than offset by local factors including the boost to spending from the RWC. On balance, we expect household spending will build modestly on the March and June quarters with households keeping one eye out for frugality.

Outbound travel surges along with the dollar...

With the dollar high and mercury low, New Zealanders sought out warmer climes in record numbers in July. Later-than-usual school holidays and the volcanic ash disruption in June may have also contributed to 231,600 New Zealanders taking overseas trips (Figure 5), surpassing the previous high of 210,000 (September 2010).

Figure 5 – Short-term NZ resident departures and NZDUSD exchange rate



Sources: Statistics New Zealand, Reserve Bank

...contrasting with the depressed inward tourism sector

Arrivals went the other way, down 4.0%, reflecting the earthquake, the high dollar, low income growth in many tourist markets, and perhaps tourists postponing travel until the RWC. Moreover, international guest nights were down 6.0%, in June 2011, compared to June 2010, while domestic travellers picked up the slack, so that total nights were up 0.3%.
There was some good news for tourism operators with better than expected RWC international ticket sales contributing to a revised estimate of 95,000 international RWC visitors, up 10,000 on the previous estimate.

Net migration falls again

Net permanent and long-term migration reported a loss of 200 in July and has been negative since March. The July figures contributed to an annual net gain of migrants was 2,900, compared with 15,200 in the July 2010 year. Australia's higher incomes and relatively strong labour market remain a drawcard with a net 3,200 crossing the Tasman, compared to 1,400 in July 2010.

Comparing July 2011 to July 2010, we assess the Canterbury earthquake impact as subtracting around 300 to the annual change in net migration over this period. While significant, the net migration picture is still dominated by the nationwide trend of increasing departures, particularly to Australia.

While net migration has been weaker than anticipated at the *Budget*, we expect the earthquake impact on migration to be temporary. Moreover, as New Zealand's economic prospects and labour market improve relative to the UK and Australia's, in particular, we expect net migration to bottom out over 2012 and recover towards historical averages from 2013 onwards.

International economy weaker than expected...

In contrast to domestic demand, which has been stronger than our *Budget* forecasts, the international economy has been much weaker and the outlook has deteriorated.

Our *Budget* forecasts for the world economy built on the upward revisions to growth forecasts at the time, but also recognised that some temporary factors would impede that expansion in the first half of 2011, in particular the floods in Australia and the earthquake and tsunami in Japan.

We expected a bounce-back from these disasters later in the year, but we considered that the risks were tilted to the downside and presented a scenario centred on a marked slowdown in China as a result of monetary tightening to control inflation. We also recognised the risks around European sovereign debt and a lack of private demand to replace public stimulus.

…with a further deterioration recently

However, the impact of the natural disasters was greater than we expected and the recovery has been slower so far, with weaker world growth in the first half of 2011. In addition, high oil prices, partly due to unrest in the Middle East and North Africa, pushed up fuel prices and reduced disposable incomes.

The weaker economic data and adverse developments have intensified in the past two months, suggesting a weak second half of the year as well. Growth outturns in the major developed economies have all fallen below forecast, the European debt situation has worsened and inflation is high in Asia.

US debt ceiling agreement finally met...

Just ahead of the deadline, US politicians reached an agreement to raise the debt ceiling, avoiding a potential default. The US $2.1 trillion increase in the debt ceiling was accompanied by US $2.5 trillion in spending cuts over ten years (equating to approximately 1% of annual GDP), US $1 trillion of which has already been decided, with the rest to be decided by a bipartisan committee by 23 November. If the committee fails to achieve this goal, automatic spending cuts will be triggered.

...but US growth downgraded...

Instead of rebounding after the debt ceiling resolution, markets focused on downward revisions to US growth figures. Not only did the 0.3% June quarter outturn disappoint (1.6% apc), but the entire recovery from 2007 was revised down; GDP levels have yet to reach their previous peak. Subsequently, many forecasters significantly downgraded their outlook for US growth in 2011 and 2012.

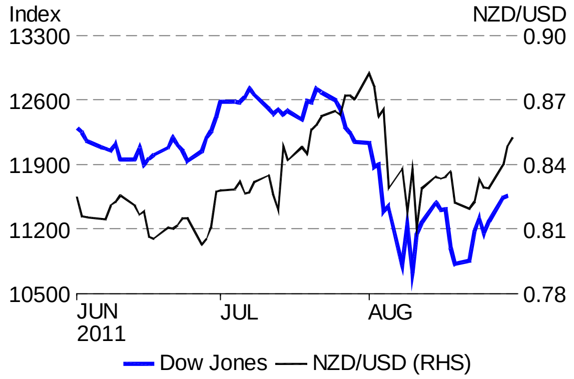
... as well as sovereign debt rating

Rating agency, Standard & Poor's (S&P), cut US's sovereign credit rating from AAA to AA+ and left them on a negative outlook. They reasoned that the fiscal consolidation plan fell short of what was needed to stabilise the government's medium-term debt, and the "effectiveness, stability, and predictability of American policymaking and political institutions have weakened".

Financial markets thrown into turmoil...

Financial markets responded negatively to these developments, with extreme volatility ensuing. The NZD reached a new high of US 88 cents, until negative risk sentiment surrounding a weaker global outlook dropped it to around US 83 cents (Figure 6). Safe-haven currencies such as the yen and Swiss franc appreciated strongly in early August, to the despair of their respective central banks, although moderated as markets calmed.

Figure 6 – NZDUSD exchange rate and Dow Jones index



Source: Datastream, Reserve Bank

Equity markets swung wildly in the week following the S&P downgrade, after falling significantly the prior week, and remained fickle throughout August. The NZX 50 fell with international markets, but the movements were more muted.

Safe-haven assets saw surging demand, with gold repeatedly hitting new highs as investors looked for alternatives to equities. Despite US long-term debt being downgraded, US 10-year bond yields fell from above 3.0% in July to average around 2.2% in August. NZ 10-year yields fell on secondary markets from above 5.0% in July to below 4.5%, in line with bond yields in Australia, the US and Germany. Demand for new bonds was subdued, likely due to investors not looking to take on new positions during the volatility; demand should return as markets stabilise.

The Federal Reserve responded to the weaker outlook by announcing they would keep interest rates on hold until at least the middle of 2013 and they were prepared to use other tools (e.g. quantitative easing) if appropriate. This provided only short-term relief to the volatility. Federal Reserve Chairman Ben Bernanke reiterated later in the month that the Federal Reserve is prepared to step in if necessary.

... not helped by continuing euro area woes

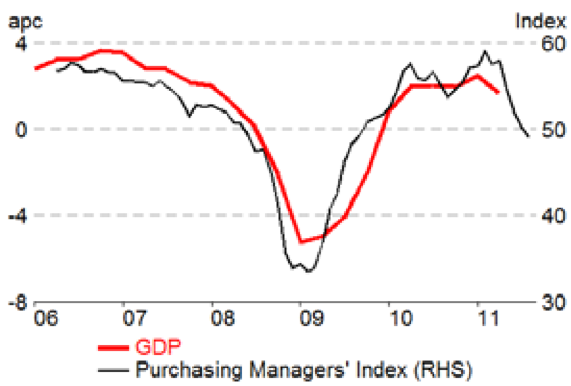
Euro area concerns remained, this time with bond markets driving up yields on Italian and Spanish debt. As the new powers agreed upon for the European Financial Stability Facility (EFSF) in July had not yet been enacted, the ECB made the unprecedented move to buy bonds for these countries on secondary markets. Bond yields fell back from over 6.0% to around 5.0%.

Trepidation around the health of euro area banks continued, with news a bank used the lender-of-last-resort function of the ECB to get a US $500 million loan. This facility had not been used since much earlier in the year.

Policymakers are still undecided on the best course of action, with talk of “Eurobonds” (bonds issued by a central European agency, backed by all euro area countries) not supported by Germany and France, who would have to pay higher interest rates on their debt. Similar to the US, the political decision-making so far has been slow and indecisive, adding more uncertainty to markets.

The economic outlook for the euro area is bleak, with forecasts for 2011 and 2012 growth being revised down significantly. Even Germany, the euro area’s powerhouse, appears to have been affected, with a weak June quarter growth outturn released during August. Overall euro area growth fell from 0.8% (qpc) for the March quarter to 0.2% in June. Forward-looking indicators such as Purchasing Manager’s Indices (PMIs) are pointing to continued slowing (Figure 7).

Figure 7 – Euro area GDP and PMI



Source: Datastream

Chinese growth strong, but risks remain

While there are wide-ranging views on China – from continued above-9.0% growth to imminent crash – we believe Chinese growth will continue to moderate, in line with a soft landing. Data out during August support this view, with retail sales and industrial production growth easing slightly. The HSBC manufacturing PMI surprised markets by increasing in August, although remains slightly below 50. However, this does not imply a decline in industrial production and is still consistent with strong growth.

Inflation remains one of the main concerns in China, with consumer prices increasing 6.5% (apc) in July. However, we believe that inflation has peaked, and will begin to unwind over the rest of the year. The People’s Bank of China effectively tightened reserve requirement ratios (RRR) again during the month by requiring margin deposits to be included in the calculation. This is estimated to be equivalent to about three 50 basis point RRR hikes over the next six months.

Should activity fall significantly, China is one of the few major economies in the world still able to stimulate its economy, through both monetary easing and fiscal stimulus.

Australia shows signs of weaker growth

While the Australian government’s fiscal position is better than most of the developed world, there remains a large dichotomy between the “cautious consumer” and the rampant mining sector. The growth outlook has been revised down recently, with a slower than anticipated recovery from the Queensland floods, and continued subdued retail sales and house price data, in particular.

Medium-term prospects are still strong, with the mining sector investing heavily, and China’s strong demand for commodities keeping terms of trade high. So far, the increased wealth in the mining sector has been slower than expected in spilling over to the rest of the economy, but with a strong labour market, household consumption should pick up at some stage.

Limited room to respond to a crisis…

In addition to the adverse developments in the major developed economies, there are increasing concerns about the ability of authorities to support their economies. Monetary policy has little room to manoeuvre except in Europe where the ECB raised its policy rate 50 basis points earlier in the year, but even there it is limited. There is talk of further quantitative easing in the US and the UK, but doubts about whether it will assist growth.

Many governments are similarly constrained on fiscal policy and are actually tightening in order to strengthen public balance sheets. There is also increased social resistance to fiscal austerity in some of the countries under most pressure.

… leading to downward revisions of forecasts

The concern around slower growth, the impact of weaker public finances, and the scope and ability of authorities to react to the downturn, have led to downgrades of economic forecasts. *Consensus* forecasts of New Zealand's trading partner growth have declined from 3.7% in 2011 and 4.4% in 2012 in April this year (the same as our *Budget* forecasts) to 3.1% and 4.2% (respectively) in August. Further reductions are expected in September before we finalise our forecasts for the *Pre-election Update*.

New Zealand's trading partner growth is more heavily weighted to Asia and Australia than world growth; thus any downturn in developed economies would have a smaller direct impact on New Zealand through trade, even allowing for an indirect impact via Asia.

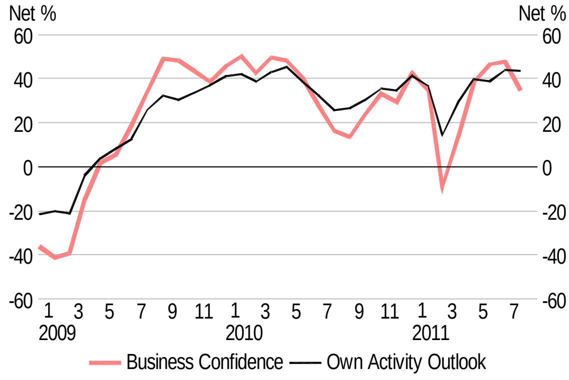
This weaker international outlook will be taken into account in our forecasts for the New Zealand economy. To some degree, it may be offset by the stronger domestic economy, but some impact on export volumes and commodity prices can be expected. In addition, the risks have increased since the *Budget* and are more heavily skewed to the downside. The volatility in markets may itself lead to lower growth through heightened uncertainty restraining investment and employment growth.

Businesses both acknowledge global developments and shrug them off

The August NBBO showed business confidence fell with the overall index dropping 13 points to a net 34% expecting the economy to improve over the next 12 months. This reading remains well above its historical average of 7.7% (Figure 8).

The majority of indicators slipped with profit expectations and employment, investment and export intentions all down in August. However, the most reliable indicator maintained its high level with firms' own activity expectations remaining largely unchanged; a net 43% of firms expect activity to increase over the next 12 months.

Figure 8 – National Bank Business Outlook



Sources: National Bank

We reconcile these contrasting fortunes by lining up the firms' own activity expectations with the positive domestic data and the majority of other indicators with the weakening global outlook and financial market volatility. For example, residential construction intentions, reflecting the Christchurch rebuild (domestic factors), increased 6.4 points in August. In contrast, export intentions fell 12.9 points.

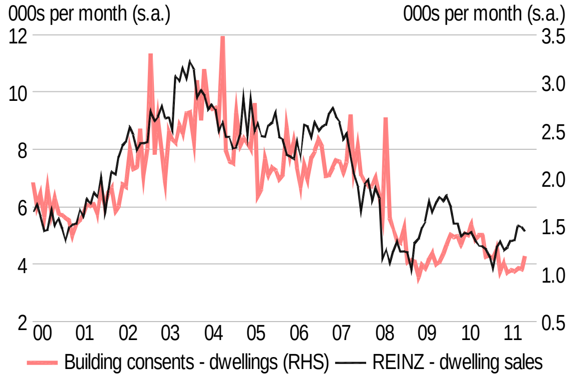
Resource pressures building in Christchurch...

Capital goods prices rose by 0.5% in the June 2011 quarter. While this statistic is unremarkable, civil construction pricing stood out, rising 2.8%. This rise, combined with the upward pressure on construction sector wages mentioned earlier, signals that the Christchurch rebuild may already be stretching resources and thus putting upward pressure on prices.

...however the Christchurch rebuild has yet to fully kick off

Seasonally adjusted total dwelling consents increased 13% in July (Figure 9); excluding the volatile apartments data, consents rose a more modest 6.3%. While Statistics New Zealand claims the July increase "is enough to confirm a positive swing in the longer-term trend", we prefer to interpret the consents data as lacking direction. Moreover, total dwelling consent issuance in the three months to July 2011 was down 21% compared with the three months to July 2010.

Figure 9 – House Sales & Building Consents



Sources: Statistics New Zealand, REINZ

In Canterbury, building consents identified as being earthquake-related totalled $32 million in July 2011, comprising $26 million for non-residential building consents and $6 million for residential building consents. From September 2010 onwards, about 360 earthquake-related consents, totalling $108 million, have been identified. The revised estimate of the insurance cost of the earthquakes suggests that the amount of rebuilding work will be greater than we had incorporated in the *Budget*.

July's REINZ real estate data was broadly weaker than June's with sales and prices down and days-to-sell up. The Auckland market has failed to sustain the momentum it gained from April to June, with sales dropping 7.6% in the month and prices down 1.6%. The Christchurch market rose sharply in the month, following the red zone announcements, with the median price in the city up 9% and volumes up 21%, but sales volumes are still 34% lower than last year.

Total household claims grew a seasonally adjusted 0.2% in July or 1.2% in annual terms. Housing loans, which account for nearly 94% of the total, grew 1.3% over the year to July 2011. This annual growth, the equal lowest in the history of the series, combined with a 1.0% annual fall in consumer credit, is consistent with the weak housing market as well as ongoing spending restraint and deleveraging by households.

Food prices surge...

The food price index rose 2.0% in July, taking the annual rise to 7.9% (including the GST rate rise). Seasonal increases in vegetable prices drove the price rise, exacerbated by the Queensland floods lowering imports from Australia. Fruit and vegetables accounted for over 60% of the rise while meat, poultry and fish made up another 30% of the increase. July's increase, the impact of winter storms on fruit and vegetable supplies, and continued flow-through of high commodity prices suggest a strong contribution from food to the September quarter CPI; we expect annual inflation of 5.0%, up from 4.8% in the *Budget*.

...and inflation expectations remain high

Although food prices are rising rapidly, petrol prices are easing - down from around $2.20 per litre in early May to around $2.07 currently – the latter likely a factor in the fall in inflation expectations in the Reserve Bank's latest quarterly Survey of Expectations. However, the fall in two-year-ahead inflation expectations to 2.86% from 3.0% in the previous quarter is less than the Reserve Bank expected. Nonetheless, lower world growth prospects and uncertainty have lowered the likelihood of an interest rate rise at the 15 September OCR review. Most analysts in a recent Reuters survey expected the OCR to remain on hold until December.

NZ's glass is half full for now

New Zealand's short-term prospects appear to favour modest growth. Compared to many other developed economies, this outlook is relatively strong. With an improving labour market, households appear confident enough to spend in line with their income growth, while at the same time saving or limiting their borrowing. However, global developments will dampen income growth in the medium term through lower export volumes and commodity prices to some degree. This global backdrop will continue to shape New Zealand's outlook over the coming months.

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

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New Zealand Key Economic Data

2 September 2011

Quarterly Indicators

		2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.9	0.6	0.2	-0.1	0.5	0.8	...
	ann ave % chg	-2.0	-0.7	0.5	1.4	1.7	1.5	...
Real private consumption	qtr % chg[1]	1.0	0.5	0.4	0.4	0.3	0.4	...
	ann ave % chg	-0.7	0.4	1.4	2.0	2.2	1.9	...
Real public consumption	qtr % chg[1]	0.7	1.5	0.6	0.0	1.4	1.2	...
	ann ave % chg	0.6	0.2	1.1	1.7	2.7	3.1	...
Real residential investment	qtr % chg[1]	6.2	-1.6	11.0	-6.9	-7.0	-2.1	...
	ann ave % chg	-18.1	-13.0	-4.3	3.5	2.8	2.3	...
Real non-residential investment	qtr % chg[1]	-1.1	0.3	4.2	0.1	8.2	-1.0	...
	ann ave % chg	-8.1	-8.3	-7.1	-3.8	2.1	7.0	...
Export volumes	qtr % chg[1]	-0.6	1.4	0.3	-0.9	2.0	0.8	...
	ann ave % chg	1.7	4.6	4.7	3.7	3.0	2.0	...
Import volumes	qtr % chg[1]	4.5	2.8	-0.2	3.9	6.4	-2.4	...
	ann ave % chg	-14.6	-9.4	-1.8	5.6	10.1	10.4	...
Nominal GDP - expenditure basis	ann ave % chg	0.6	1.1	2.0	3.0	4.8	5.4	...
Real GDP per capita	ann ave % chg	-3.1	-1.8	-0.7	0.2	0.4	0.4	...
Real Gross National Disposable Income	ann ave % chg	-1.5	0.5	0.9	0.4	2.2	1.9	...
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	-4.2	...
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	0.8	2.3
	ann % chg	-8.2	0.1	12.7	17.9	12.3	6.7	7.0
Prices								
CPI inflation	qtr % chg	-0.2	0.4	0.2	1.1	2.3	0.8	1.0
	ann % chg	2.0	2.0	1.7	1.5	4.0	4.5	5.3
Tradable inflation	ann % chg	1.5	2.0	1.0	0.3	3.3	3.7	5.5
Non-tradable inflation	ann % chg	2.3	2.1	2.2	2.5	4.6	5.2	5.2
GDP deflator	ann % chg	-1.5	-0.1	1.8	2.8	5.7	4.3	...
Consumption deflator	ann % chg	1.2	0.8	0.5	0.8	2.7	3.1	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.2	0.7	-0.1	1.0	-0.3	1.3	0.0
	ann % chg[1]	-2.4	-0.1	0.0	1.8	1.3	1.8	2.0
Unemployment rate	%[1]	7.0	6.1	6.9	6.4	6.7	6.5	6.5
Participation rate	%[1]	68.2	68.0	68.1	68.2	68.0	68.6	68.4
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.3	0.4	0.5	0.5	0.4	0.5
	ann % chg	1.8	1.5	1.6	1.6	1.7	1.8	1.9
QES average hourly earnings - total[5]	qtr % chg	-0.2	-0.4	0.7	1.0	0.5	0.4	1.1
	ann % chg	2.8	1.0	1.0	1.1	1.8	2.6	3.0
Labour productivity[6]	ann ave % chg	0.1	2.1	2.0	1.3	0.2	-0.5	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	0.6	0.2	0.6	-0.1	-0.1	1.0	1.0
	ann % chg	2.2	3.0	2.6	1.5	0.3	1.4	1.9
Total retail sales volume	qtr % chg[1]	1.1	0.4	0.5	-0.4	-0.5	1.1	0.9
	ann % chg	0.4	3.2	3.4	1.9	-0.1	0.8	1.1
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	26.6
QSBO - own activity outlook[4]	net %	10.8	14.5	11.3	9.5	11.4	-1.6	18.5

Monthly Indicators

		2011M 2	2011M 3	2011M 4	2011M 5	2011M 6	2011M 7	2011M 8
External Sector								
Merchandise trade - exports	mth % chg[1]	4.3	0.3	7.7	-7.8	-0.6	-1.5	...
	ann % chg[1]	16.4	13.2	18.4	10.2	3.8	4.5	...
Merchandise trade - imports	mth % chg[1]	6.6	-1.6	-6.6	13.0	-8.4	-7.9	...
	ann % chg[1]	22.5	15.7	7.6	18.8	4.7	-4.0	...
Merchandise trade balance (12 month total)	NZ$ million	765	741	1238	1022	999	1314	...
Visitor arrivals	number[1]	208300	191810	206830	205970	196890	200890	...
Visitor departures	number[1]	211770	200800	201460	215520	200080	207460	...
Housing								
Dwelling consents - residential	mth % chg[1]	-9.7	2.6	-1.1	3.1	-1.0	13.0	...
	ann % chg[1]	-28.9	-26.0	-32.3	-21.9	-25.4	-15.7	...
House sales - dwellings	mth % chg[1]	2.5	4.9	0.7	10.0	-0.8	-2.9	...
	ann % chg[1]	-10.0	-5.0	-5.2	10.8	13.9	11.3	...
REINZ - house price index	mth % chg	2.3	0.5	1.1	-1.8	1.3	-0.6	...
	ann % chg	-0.7	-1.8	-0.4	-0.7	0.0	0.5	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	-0.2	1.4	1.5	-0.7	1.1	0.4	...
	ann % chg	6.2	6.6	10.0	6.8	9.0	8.0	...
New car registrations	mth % chg[1]	-1.4	-0.4	-5.6	3.3	-2.3	-1.9	...
	ann % chg	2.8	-1.0	-10.5	-3.7	-9.5	-6.0	...
Migration								
Permanent & long-term arrivals	number[1]	6930	7070	7110	6940	6900	7360	...
Permanent & long-term departures	number[1]	6490	7600	7230	7260	7190	7580	...
Net PLT migration (12 month total)	number	8249	6554	5508	4625	3867	2867	...
Commodity Prices								
Brent oil price	US$/Barrel	104.24	114.92	123.33	114.93	114.37	117.48	110.35
WTI oil price	US$/Barrel	89.41	102.94	110.15	101.30	96.29	97.08	86.33
ANZ NZ commodity price index	mth % chg	2.9	8.1	-3.9	-0.7	-3.3	-3.6	-0.1
	ann % chg	10.1	18.4	9.8	7.6	4.9	4.7	5.9
ANZ world commodity price index	mth % chg	2.7	4.7	1.6	0.4	-1.2	-0.1	-1.3
	ann % chg	20.3	23.5	19.8	19.6	20.6	22.3	22.1
Financial Markets								
NZD/USD	$[2]	0.7623	0.7408	0.7859	0.7959	0.8150	0.8455	0.8384
NZD/AUD	$[2]	0.7565	0.7333	0.7450	0.7447	0.7686	0.7852	0.7978
Trade weighted index (TWI)	June 1979 = 100[2]	67.80	65.20	68.20	68.70	70.30	72.70	72.10
Official cash rate (OCR)	%	3.00	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	3.13	2.69	2.65	2.66	2.65	2.71	2.90
10 year govt bond rate	%[2]	5.56	5.58	5.70	5.23	5.04	5.07	4.55
Confidence Indicators/Surveys								
National Bank - business confidence	net %	34.5	-8.7	14.2	38.3	46.5	47.6	34.4
National Bank - activity outlook	net %	36.6	14.7	29.5	39.7	38.7	43.7	43.3
ANZ-Roy Morgan - consumer confidence	net %	108.1	101.4	101.4	103.3	112.5	109.4	113.3

qtr % chg — quarterly percent change
mth % chg — monthly percent change
ann % chg — annual percent change
ann ave % chg — annual average percent change
Data in italics are provisional

1 Seasonally adjusted
2 Average (11am)
3 Westpac McDermott Miller
4 Quarterly Survey of Business Opinion
5 Ordinary time
6 Production GDP divided by HLFS hours worked

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