Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

January 2012

Executive Summary

- **Real GDP growth was strong in September quarter but stock build-up and downward revisions to previous quarters were of concern**
- **Rugby World Cup had limited impact as activity was displaced as we expected, but full impact yet to be recorded**
- **Outlook for 2012 has deteriorated since the Pre-election Update largely owing to an escalation of the euro area crisis and its impact on New Zealand**

The New Zealand economy expanded strongly in the third quarter of 2011 after a subdued second quarter. Real production GDP rose 0.8%, led by manufacturing and a positive impact from the Rugby World Cup on retail and hospitality. Most other industries did not see such an impact, which could reflect disruption to normal activity from the World Cup, some of which could bounce back in following months. A cause for concern was a record build-up of stocks in the September quarter. Although strong dairy production explains some of this, how the remaining increase in stocks unwinds will be important for growth going forward.

There were also significant downward revisions to the strength of the recovery. These revisions suggest there is a little more spare capacity in the economy than we previously thought and also that potential output is lower than we had estimated. Revisions to previous quarters' growth have delayed the recovery to the pre-global financial crisis level of output, with the latest quarter's aggregate output still 0.3% below the December 2007 quarter peak. The peak is expected to be passed in the December 2011 quarter based on our reading of the activity indicators in the QSBO, which points to real GDP growth of around 0.6% in the December quarter.

Given strong real GDP growth, nominal growth was not as high as it could have been because of weak domestic prices. This theme was also present in the December quarter Consumers Price Index (CPI), which fell 0.3% compared to our expectation of a moderate rise. The fall in the CPI in the quarter, as well as the majority of the impact of the 1 October 2010 GST rate rise dropping out, meant annual inflation fell from 4.6% in the September quarter to 1.8%. Softer inflation reflects a significant fall in food prices, the appreciation of the exchange rate in mid-2011 and a higher level of discounting, perhaps as retailers sought to unwind the stock build-up.

Further out, key domestic issues for 2012/13 include the degree of household saving, the timing of rebuilding in Canterbury, and the withdrawal of monetary and fiscal stimulus. However, the outlook for the global economy will dominate. As the euro debt crisis drags on and other risks to the global economy increase, international agencies such as the IMF have revised down their forecasts and have also included large downside scenarios based on a deepening of the crisis. We are not yet near the downside scenario in the Pre-election Update for our trading partners or for New Zealand, but the risk of something as bad as it occurring has risen. With high levels of uncertainty about the outlook, volatility in financial markets is likely to remain a feature of the coming year.

New Zealand Government

ISSN-1175-6780 – Text finalised 3 February 2012

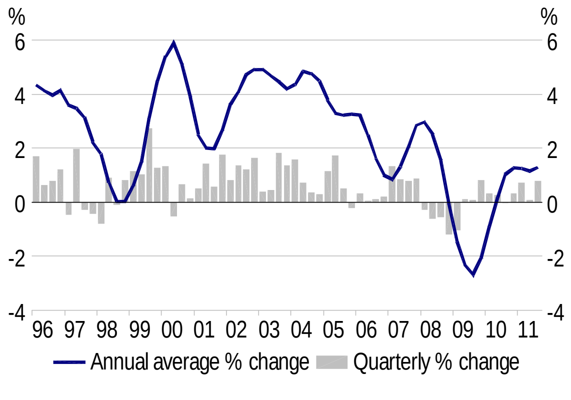
Analysis

The outlook has weakened since the economic forecasts for the Pre-election Economic and Fiscal Update (PREFU) were finalised in late September last year, as outlined in the previous MEI released in December. With domestic developments being in line with PREFU to date, albeit a little weaker, the main factor behind this weakening has been an escalation of the sovereign debt crisis in the euro area and its impact on the rest of the world. This MEI outlines how the New Zealand economy progressed against our PREFU forecasts in 2011, including domestic developments and the impact of global events. It also covers how the global outlook is changing. A revised set of forecasts for New Zealand will be released as part of the Budget Policy Statement (BPS) on 16 February.

Subdued recovery continues...

The New Zealand economy expanded strongly in the third quarter of 2011 after a subdued second quarter. Real production GDP rose 0.8% and real expenditure GDP rose 1.0% in the September 2011 quarter, which averaged out to match our PREFU expectation of 0.9%. Production GDP was led by manufacturing output rising 2.3% in the quarter, with a key contributor being meat and dairy processing. Finance, insurance and business services expanded 0.6%, their fourth successive quarter of growth, driven by gradually recovering real estate activity. Housing markets more generally are yet to rebound as depressed housing construction contributed to a 2.2% fall in construction output to its lowest level since 2002.

Figure 1 – Real production GDP



Source: Statistics NZ

...with some World Cup impact...

Although the big games were still to come, the impact of the Rugby World Cup was quite limited in the September quarter considering the 80,000 overseas visitors who arrived in that period for the event (this is a gross figure, the net increase will be lower owing to displacement of other visitors). Retail, accommodation and restaurants grew 2.5% in the September quarter, resulting from higher spending in supermarkets and restaurants. Transport services expanded, but – with a 0.2% rise in the quarter – this impact was small considering the growth in overseas visitors. Also, some industries that could have been expected to grow did not, including communication services. These results could reflect disruption to normal activity from the World Cup, some of which could bounce back in following months.

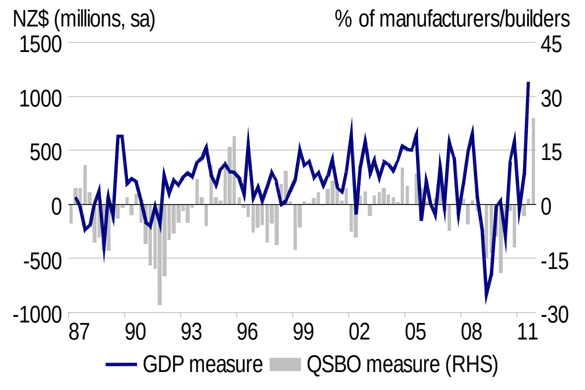
Real expenditure GDP increased by 1.0% in the September quarter, a bit more than the production measure. A key driver was a 1.5% jump in private consumption. This was almost double what was factored into the PREFU forecasts and consumer spending does genuinely appear to be stronger than we had anticipated. However, some of this strength is expected to unwind. The rise was led by expenditure on non-durables, especially supermarket sales, and partly reflected spending associated with the World Cup (including earlier ticket sales for the games being accrued to the quarter in which the games took place). Strictly, spending by overseas visitors should be recorded as travel service exports but some will have been included in domestic spending. This impact will be captured in the next quarter as tourist spending is recorded on departure. Service exports did rise strongly in the September quarter, up 7%, but this was mostly led by transportation services (rather than travel, ie tourism spending) and simply reversed a 7% fall the previous quarter.

There were signs of weakness in the GDP result. Residential investment fell 1.8% in the September quarter, its fifth successive decline (and 14th in the past 4 years), taking it to its lowest level since mid-1993. Other investment spending fell by 1.9%, although partly owing to aircraft parts imported in the previous quarter but not this quarter. Plant and machinery investment actually rose a strong 6% in the quarter to be 27% higher than two years earlier, albeit from low levels.

...but stock build-up of concern...

A particular cause for concern was a record build-up of stocks of $1,132 million in the September quarter. Why these stocks were built up and how they unwind will be important for growth going forward. Inventories have not risen by more than $700 million in a quarter since the series began in 1987 so we are in uncharted territory (Figure 2). As a guide, in four of the five quarters in which stocks have risen by at least $600 million, real production GDP has declined in the next quarter.

Figure 2 – Real stocks change from previous quarter



Source: Statistics NZ, NZIER

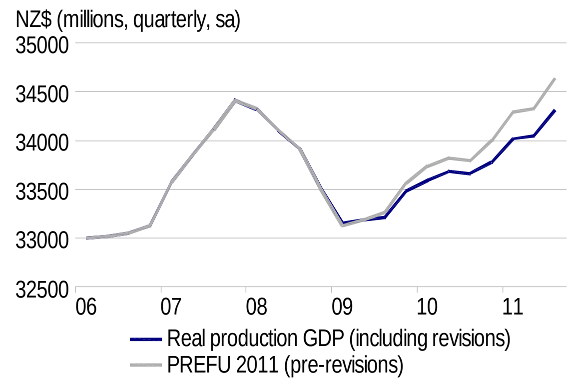
However, we do not expect a negative quarter in December as the unwinding of stocks will be offset by lower imports and higher exports, especially dairy. Much of the explanation for the stock build-up can be found in primary processing, particularly dairy as a result of strong production growth off good growing conditions. Those firms asked in the December Quarterly Survey of Business Opinion (QSBO) were generally happy with their level of stocks, despite manufacturers reporting large stock build-ups. The World Cup may have had some impact, as wholesalers and retailers lifted stocks in the September quarter anticipating demand in October. Some of the build up in distribution stocks – including for the Cup – may have been involuntary and could explain discounting in the December quarter.

...and downward revisions dampen recovery...

Although September quarter GDP data were reasonably positive, the release also showed significant downward revisions to historical data. On the production measure, real growth since the recession ended was revised down 0.8% – the same amount the economy grew by in the September quarter. These revisions suggest there is more spare capacity in the economy than previously thought, or that potential output is lower than we had estimated. In practice, we lean towards the latter interpretation (eg, non-GDP measures of capacity were unaffected), albeit with a little more spare capacity as measured by the output gap.

Downward revisions to previous quarters' growth have delayed the recovery to the pre-global financial crisis level of output, with the latest quarter's aggregate output still 0.3% below the December 2007 quarter peak (Figure 3). Per capita real GDP is still 4.0% below its peak, although has recovered 1.3% from its trough two years ago. Real gross national disposable income (RGNDI, a measure of the goods and services which New Zealand residents have command over) increased 2.8% in the September year and has already surpassed its 2007 peak reflecting the high terms of trade.

Figure 3 – Real GDP level and revisions



Source: Statistics NZ, the Treasury

...pre-crisis peak finally passed in late 2011?

Our reading of activity indicators in the QSBO points to real GDP growth of around 0.6% in the December quarter (due for release on 22 March), a little weaker than 0.9% in PREFU. The Rugby World Cup is expected to have a further small positive impact on GDP growth in the December 2011 quarter. As noted above, much of the impact of the World Cup will not be recorded until the December quarter when most of the overseas visitors left New Zealand (and a further 53,000 overseas visitors arrived here for the Cup to give a gross total of 133,000). Goods exports also look to have risen strongly after a weak third quarter, owing to strong dairy exports, while imports look relatively subdued. Significantly, China became New Zealand's largest source of merchandise imports in the year to December 2011, exceeding Australia for the first time. China remains second to Australia as the largest destination for New Zealand's exports.

Nominal GDP up on terms of trade...

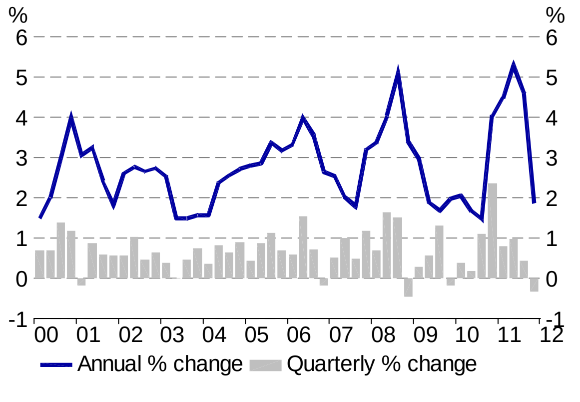
Despite strong real GDP growth, nominal growth was not as high as it could have been at 1.5% in the September quarter because of weak domestic prices. Externally though, the System of National

Accounts (SNA) merchandise terms of trade rose 2.1% in the quarter on a seasonally adjusted basis to an historic high. This rise was fairly much as expected in PREFU (2.4%) and was despite the official Overseas Trade Index (OTI) measure having fallen slightly from a 36-year high in the same quarter. The OTI measure is quite different from the SNA version and it is the latter that matters for GDP. For example, the OTI is not seasonally adjusted – the SNA version actually fell slightly when seasonally unadjusted numbers are used. The level of nominal GDP in the year to September was only 0.1% higher than our PREFU forecasts.

...but general price inflation weak

The Consumers Price Index (CPI) dropped 0.3% in the December 2011 quarter compared to our PREFU expectation of a moderate rise. Quarterly falls have not been uncommon in December quarters of late (December 2011 was the third out of the last four, and even 2010's rise was boosted by an increase in the rate of GST), but it was a surprise nonetheless. The fall in the CPI in the quarter, as well as the majority of the impact of the 1 October 2010 GST rate rise dropping out of the calculation period, meant that annual inflation fell from 4.6% in the September quarter to 1.8% (Figure 4).

Figure 4 – Consumers Price Index



Source: Statistics NZ

A significant fall in food prices was the largest contributor to the CPI result, particularly a 25% fall in vegetable prices. Vegetable prices fell back from a higher-than-usual seasonal peak in mid-2011 resulting from the Queensland floods earlier in the year. Other factors played a role in the fall in the CPI, including a greater pass-through of the appreciation of the exchange rate in the middle of 2011 and a higher level of discounting. More items were on special than in both the September 2011 and December 2010 quarters, which could reflect retailers discounting products to get rid of the build-up of stocks discussed above. Lower-than-expected inflation also fits with the downward revisions to GDP, which suggest the economy has a bit more spare capacity than previously thought.

The majority of the impact of the GST rate rise and the addition of items to the ETS scheme have dropped out of annual inflation. The major government-related charge still in the annual rate is the tobacco excise rate increase, which meant cigarette and tobacco prices rose 9.4% for the year. The increase in the EQC levy on 1 February 2012 from 5 cents per $100 of insurance to 15 cents will be picked up in March quarter inflation.

The trimmed mean and weighted median measures of inflation are generally more stable than the "headline" measure and give an indication of underlying inflation, as they are less influenced by large increases or decreases. The 10% trimmed mean rose 0.2% in the quarter taking the annual rate down to 2.1% and the weighted median rose 0.4% in December and also 2.1% for the year. These measures suggest some of the weak inflation outturn was the result of temporary extreme movements in a few components. The Australian CPI was also soft in the December quarter (0.0%) owing to some of the same factors (eg, high exchange rate and lower food prices).

Modest impact to date from global events

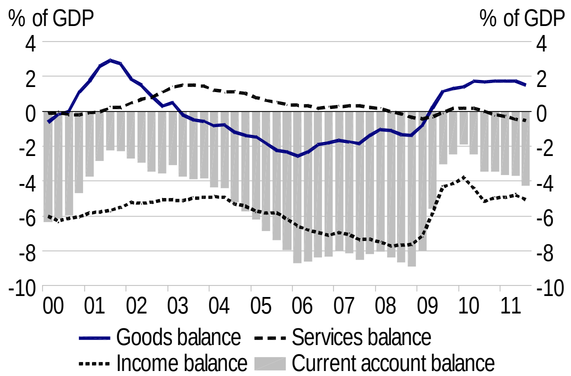
So far the impact of global events on New Zealand has been relatively modest. According to the ANZ, world export prices for New Zealand's commodity exports are down 9% from a peak in May and further falls are expected. The volume of commodity exports are currently benefitting from strong agricultural production as a result of recent good growing conditions, but non-commodity exporters (including tourism) are not faring as well in light of weaker global demand and a high exchange rate. New Zealand banks' sourcing of funds from overseas has become more difficult and expensive. If current bank funding pressures intensified or continued, we would expect to see bank lending affected later in 2012.

Consumer and business confidence have been relatively resilient to recent global developments, but confidence effects can impact reasonably quickly. Some offset is expected to come from higher migration. There was a net loss of 1,900 people in the year to December 2011, similar to forecast in PREFU and driven by an increase in departures to Australia. But as global prospects have weakened in recent months, including for Australia, departures have fallen slightly on a monthly seasonally adjusted basis. The negative impact on migration from the Canterbury earthquakes is also fading, assuming seismic activity settles down.

Current account deficit widens to 4.3% of GDP

The current account deficit widened to 4.3% of GDP ($8.7 billion) in the year ending September 2011, up from 3.7% in the year ending June 2011 and wider than expected in PREFU (Figure 5). Export values eased on lower New Zealand dollar prices for dairy, meat and logs while import values rose on stronger oil and capital goods. The Rugby World Cup contributed to a rise in services exports, but was partly offset by higher service imports driven by fees for hosting and broadcasting the tournament. Services imports over the last year have also been lifted by higher premiums and insurance services arising from the Canterbury earthquake, IT services, management fees, and overseas holiday spending.

Figure 5 – Balance of Payments (annual)



Source: Statistics NZ

The quarterly income deficit rose $380 million from June, driven by an increase in profits from foreign-owned banks. This took the annual deficit on income to $10.3 billion, its highest since mid-2009. The quarterly current account deficit was financed by a $7.7 billion increase in foreign investment in New Zealand, mainly reflecting bank borrowing (up $5.3 billion), although a net $2.8 billion of government debt was purchased by overseas investors. With banks wary of seeking foreign funding and credit demand weak, this bank borrowing should drop back in December. New Zealand investment overseas also rose, as fund managers took advantage of the fall in overseas equity prices to purchase $2.2 billion in shares.

Settlements for outstanding earthquake reinsurance claims totalled $0.7 billion in the September quarter, taking total reinsurance settlements to $1.4 billion. At the same time, total reinsurance claims were revised up by $1.5 billion to $14 billion. The upward revision to reinsurance settlement assets was not enough to prevent net international liabilities rising $10 billion to 72.9% of GDP from 69.0% in June. This rise reflected $5.3 billion in overseas borrowing by the banking sector, increasing liabilities, and overseas assets owned by NZ residents falling $4 billion in value as international equity markets dropped steeply. Settlements of reinsurance claims picked up pace in the September quarter and may soon reach $1 billion per quarter, although even at that pace it would take over 3 years to settle all claims. Each settlement has the effect of reducing net international assets. A recovery in international equity markets will help provide some stability to the net liability position, but bank borrowing overseas will resume at some point and the net external liability position will deteriorate over coming years.

Key issues for 2012 and beyond

There are a number of factors that will influence the economy in 2012/13:

- Household saving became positive in the March 2011 year for the first time since 2000 (and the second since 1993) as we expected in PREFU. Saving may rise by more than expected if consumers become more cautious due to the weaker global outlook and high levels of uncertainty. While higher saving would be a positive development for reducing medium-term vulnerabilities, it would undermine consumption growth in the meantime.
- The ramp-up of rebuilding in Canterbury is now assumed to begin in late 2012 rather than mid-2012 as in PREFU. This small delay largely reflects the earthquakes since 23 December 2011. However, some activity is already happening in and around Christchurch and rebuilding is still assumed to be a key driver of growth from late 2012.
- Monetary conditions have loosened since PREFU with lower interest rates and until recently a lower exchange rate.
- While these domestic forces are important, the key factor and the source of the greatest risks is the outlook for the global economy, as discussed below.

Downside risks continue to emanate from Europe…

The main downside risk to global growth is a worsening European debt situation. The much-anticipated EU leaders' meeting in early December was largely a disappointment, with no immediate solution provided. A "fiscal compact" was proposed, whereby euro area countries must keep structural fiscal balances above a certain level; we see this as more of a longer-term solution (and even then probably does not go far enough). There were no agreements on policies to help in the short term, or to boost growth. The permanent bailout package was brought forward to mid-2012, and more funds were promised for the IMF to help address the euro crisis.

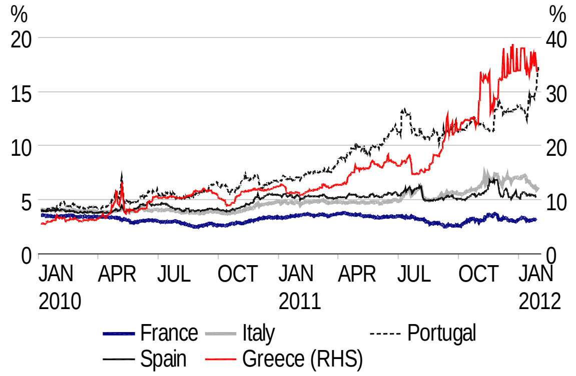
In the short term, the main risk is the ongoing Greek crisis. Greece has debt redemptions due in March, and requires a new bailout to avoid default. However, in order to get the bailout, EU leaders want Greek debt to be reduced to a more sustainable level through "voluntary" private-sector restructuring. The talks between Greek authorities and private-sector creditors have been drawn out, with the risk of no resolution leading to a disorderly default and possible contagion to other euro nations. Recently Portugal has received greater scrutiny and its bond yields have risen (Figure 6); a new bailout may be needed.

Despite a recent improvement in euro-area PMIs, a recession is expected for the euro area in 2012, after a likely negative December 2011 quarter. Ongoing fiscal austerity, particularly in the periphery, will mean growth will remain below trend for several more years. The early estimate for GDP growth in the UK for the December quarter was negative, and with the economy so closely tied to the rest of Europe and ongoing fiscal consolidation, a prolonged period of weakness is expected.

…but sentiment has improved in the New Year

Towards the end of 2011 the ECB enacted the Long Term Refinancing Operation (LTRO) which offers banks three-year loans at a discount against a wider-than-usual range of collateral. This has led to a general improvement in market sentiment in early 2012, with stock markets moderately higher and an easing in bond yields in some higher-risk countries (Figure 6). However, bond yields remain elevated, with risks associated with large bond redemptions in the first half of this year, particularly for Italy, driving yields higher once again. It is too early to say whether the LTRO will be a turning point in resolving the euro crisis; another issue of funds is due at the end of February.

Figure 6 – 10-year government bond yields



Source: Haver Analytics

US economy improving…

Indicators over the past two months have pointed to an improving US economy, despite the ongoing ructions in Europe. December quarter GDP grew 0.7%, slightly below market expectations, but the fastest rate since the June 2010 quarter. The details of the report were less encouraging, however, with inventory accumulation contributing significantly to the increase.

The US labour market has continued to improve, with non-farm payrolls increasing a robust 200,000 in December, bringing the unemployment rate down to 8.5%, 0.9% points lower than a year earlier. Other indicators such as regional PMIs and the overall manufacturing ISM have been positive, with industrial growth improving. Looking forward to 2012 we expect below-trend growth as the housing market remains weak and fiscal consolidation continues to be a drag on growth.

The Federal Reserve announced that rates would remain low until late 2014, and that a third quantitative easing package was on the table for consideration. While positive, these announcements indicated that the Federal Reserve regards the outlook as weak.

…while Australian economy starts to lose momentum

Australian September quarter GDP grew a strong 1.0%, above market expectations. The main drivers were strong investment, particularly in the mining sector, and above-trend consumption growth. Despite this outturn, some of this momentum appears to have been lost in the December quarter. Retail sales eased, exports were relatively weak, and employment fell in

November and December. The RBA is expected to cut its policy rate 25 basis points to 4.0% in February. The main risk to the outlook remains a worsening European situation and the indirect effects of lower commodity demand from Asia.

Chinese "soft landing" still most likely

China's December quarter GDP rose an above-expectations 8.9% (apc), down from 9.1% in the previous quarter. This outturn, despite showing an easing of growth, was taken positively by analysts. Chinese growth is seen to be heading to a more sustainable rate, reducing the risk of a "hard landing" in the future. Further reducing that risk, annual inflation eased to 4.1% in December, after having been as high as 6.5% earlier in the year. While we expect growth to continue to moderate to around 8% in 2012, significant risks remain. The sustainability of investment, a downturn in the housing market and significant easing of demand from Europe remain the main risks in 2012.

International forecasts revised down...

As the euro debt crisis drags on and other risks to the global economy increase, international agencies have revised down their forecasts. The IMF issued an *Update* to its September 2011 *World Economic Outlook* in January, lowering its forecasts for world growth in 2012 and 2013 by 0.7% points and 0.6% points respectively to 3.3% and 3.9%. The World Bank also released its *Global Economic Prospects* in January, with similar growth rates to the IMF.

Both agencies included downside scenarios to their central forecasts based on a deepening of the euro debt crisis. The IMF scenario shows that world output would be 2% lower through 2012 and 2013 than in the central case and still 1% lower at the end of 2016. The World Bank shows a more extreme scenario with world output around 4% lower in 2012 and 2013 based on a more widespread euro debt crisis.

...amid increasing risks to the outlook

The IMF pointed to other risks to the outlook as well: insufficient progress in developing medium-term fiscal consolidation plans in the US and Japan, the possibility of a hard landing in emerging economies and threatened disruption to oil supply. The IMF outlined its policy prescription: sustained but gradual fiscal adjustment, ample liquidity and easy monetary policy, and restored confidence in policymakers' ability to act. They warned that different circumstances will require different responses, especially on fiscal consolidation, to avoid a negative effect on growth.

Overall implications of recent developments

We are not yet near the downside scenario in the PREFU for our trading partners or for New Zealand, but the risk of something as bad as it occurring has risen since October. With high levels of uncertainty about the outlook, volatility in financial markets is likely to remain a feature of the coming year. We continue to expect bouts of relative optimism and pessimism so will not get upbeat over a lack of bad news for a few weeks (as is the case right now). This also means that economic forecasts could be subject to large changes within short periods of time. The BPS, to be released on 16 February, will include revised economic forecasts and a full Economic and Fiscal Update will be provided with Budget 2012.

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New Zealand Key Economic Data

3 February 2012

Quarterly Indicators

		2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.3	-0.1	0.3	0.7	0.1	0.8	...
	ann ave % chg	0.1	1.0	1.3	1.2	1.1	1.3	...
Real private consumption	qtr % chg[1]	0.4	0.4	0.6	0.5	0.4	1.5	...
	ann ave % chg	1.4	2.0	2.2	2.0	1.8	2.0	...
Real public consumption	qtr % chg[1]	1.0	0.2	1.3	0.4	0.0	0.6	...
	ann ave % chg	1.3	2.2	3.4	3.7	3.2	2.8	...
Real residential investment	qtr % chg[1]	12.7	-7.4	-6.3	-1.9	-6.8	-1.8	...
	ann ave % chg	-3.7	4.7	4.6	4.4	-4.9	-11.3	...
Real non-residential investment	qtr % chg[1]	4.3	1.4	7.9	-0.4	0.9	-1.9	...
	ann ave % chg	-8.6	-4.8	1.9	7.5	10.5	10.8	...
Export volumes	qtr % chg[1]	0.4	-1.2	2.0	0.8	-0.4	0.4	...
	ann ave % chg	4.9	3.8	2.9	1.9	1.5	2.1	...
Import volumes	qtr % chg[1]	0.7	2.9	6.6	-2.6	2.0	3.1	...
	ann ave % chg	-1.7	5.7	10.3	10.5	10.4	9.9	...
Nominal GDP - expenditure basis	ann ave % chg	2.0	3.2	5.2	6.0	6.1	6.2	...
Real GDP per capita	ann ave % chg	-1.1	-0.2	0.1	0.1	0.1	0.3	...
Real Gross National Disposable Income	ann ave % chg	1.0	0.5	2.3	1.8	2.5	2.8	...
External Trade								
Current account balance (annual)	NZ$ millions	-4698	-6621	-6787	-7196	-7396	-8675	...
	% of GDP	-2.5	-3.5	-3.5	-3.6	-3.7	-4.3	...
Investment income balance (annual)	NZ$ millions	-8273	-9750	-9538	-9649	-9501	-10213	...
Merchandise terms of trade	qtr % chg	2.0	3.0	0.8	0.8	2.4	-0.6	...
	ann % chg	12.7	17.9	12.3	6.7	7.1	3.4	...
Prices								
CPI inflation	qtr % chg	0.2	1.1	2.3	0.8	1.0	0.4	-0.3
	ann % chg	1.7	1.5	4.0	4.5	5.3	4.6	1.8
Tradable inflation	ann % chg	1.0	0.3	3.3	3.7	5.5	4.6	1.1
Non-tradable inflation	ann % chg	2.2	2.5	4.6	5.2	5.2	4.5	2.5
GDP deflator	ann % chg	1.8	2.9	5.8	4.4	4.3	4.3	...
Consumption deflator	ann % chg	0.5	0.9	2.8	3.2	4.0	3.4	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	-0.1	1.1	-0.3	1.2	0.0	0.2	...
	ann % chg[1]	0.0	1.8	1.3	1.8	2.0	1.1	...
Unemployment rate	%[1]	6.9	6.4	6.7	6.5	6.5	6.6	...
Participation rate	%[1]	68.1	68.3	68.0	68.6	68.3	68.4	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.5	0.5	0.4	0.5	0.6	...
	ann % chg	1.6	1.6	1.7	1.8	1.9	2.0	...
QES average hourly earnings - total[5]	qtr % chg	0.7	1.0	0.5	0.4	1.1	1.2	...
	ann % chg	1.0	1.1	1.8	2.6	3.0	3.2	...
Labour productivity[6]	ann ave % chg	1.6	0.9	-0.2	-0.8	-0.9	-0.6	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	0.7	-0.4	0.1	1.1	1.1	2.4	...
	ann % chg	2.6	1.5	0.3	1.4	1.9	4.5	...
Total retail sales volume	qtr % chg[1]	0.6	-0.6	-0.3	1.1	1.0	2.2	...
	ann % chg	3.4	1.9	-0.1	0.8	1.1	3.9	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	119	114	108	98	112	112	101
QSBO - general business situation[4]	net %	17.5	6.4	8.1	-26.8	26.6	24.6	0.2
QSBO - own activity outlook[4]	net %	-4.9	-14.1	-1.3	-4.4	3.0	0.7	-3.5

Monthly Indicators

		2011M 7	2011M 8	2011M 9	2011M10	2011M11	2011M12	2012M 1
External Sector								
Merchandise trade - exports	mth % chg[1]	-1.4	3.2	-0.6	1.3	1.1	3.1	...
	ann % chg[1]	4.1	9.8	9.0	6.1	7.1	13.0	...
Merchandise trade - imports	mth % chg[1]	-9.4	13.2	2.1	-5.6	5.3	-5.8	...
	ann % chg[1]	-3.9	15.9	16.4	6.3	10.3	-2.0	...
Merchandise trade balance (12 month total)	NZ$ million	1288	1028	694	688	557	1113	...
Visitor arrivals	number[1]	215870	224000	265430	241580	214750	224440	...
Visitor departures	number[1]	211340	209850	239380	280360	217560	220370	...
Housing								
Dwelling consents - residential	mth % chg[1]	11.0	20.2	-18.2	10.8	-6.2	2.1	...
	ann % chg[1]	-17.6	19.1	-3.9	11.6	-5.0	18.1	...
House sales - dwellings	mth % chg[1]	-3.3	5.3	-3.3	-0.5	6.2	4.4	...
	ann % chg[1]	11.2	20.5	21.2	29.0	17.8	20.5	...
REINZ - house price index	mth % chg	-0.6	0.5	1.7	-0.3	1.1	-0.1	...
	ann % chg	0.5	0.7	2.7	3.4	2.6	3.1	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.3	-0.4	0.5	1.5	-0.6	-0.3	...
	ann % chg	8.0	8.4	7.5	7.4	6.0	7.2	...
New car registrations	mth % chg[1]	-1.8	8.7	-11.2	1.1	7.4	4.3	...
	ann % chg	-6.0	1.9	-12.2	-8.8	-7.9	4.2	...
Migration								
Permanent & long-term arrivals	number[1]	7370	7390	6950	6700	7080	6670	...
Permanent & long-term departures	number[1]	7540	7260	7620	7270	7180	7190	...
Net PLT migration (12 month total)	number	2867	2257	773	-103	-568	-1855	...
Commodity Prices								
Brent oil price	US$/Barrel	117.48	110.35	111.96	110.43	111.16	108.35	111.41
WTI oil price	US$/Barrel	97.08	86.33	85.65	86.41	97.11	98.57	100.10
ANZ NZ commodity price index	mth % chg	-3.7	-0.2	0.2	-0.7	1.1	-0.6	-2.9
	ann % chg	4.7	5.7	4.9	3.8	5.9	1.2	-4.4
ANZ world commodity price index	mth % chg	-0.2	-1.4	-2.0	-3.6	-1.1	-0.8	1.2
	ann % chg	22.2	22.0	16.5	9.0	5.5	3.1	0.1
Financial Markets								
NZD/USD	$[2]	0.8455	0.8384	0.8143	0.7879	0.7728	0.7697	0.8007
NZD/AUD	$[2]	0.7852	0.7978	0.7943	0.7799	0.7635	0.7603	0.7691
Trade weighted index (TWI)	June 1979 = 100[2]	72.70	72.10	71.20	69.30	68.20	68.60	71.20
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.71	2.90	2.88	2.76	2.69	2.69	2.74
10 year govt bond rate	%[2]	5.07	4.55	4.41	4.54	4.14	3.91	3.86
Confidence Indicators/Surveys								
National Bank - business confidence	net %	47.6	34.4	30.3	13.2	18.3	16.9	...
National Bank - activity outlook	net %	43.7	43.3	35.4	26.1	28.8	25.7	...
ANZ-Roy Morgan - consumer confidence	net %	109.4	113.3	112.6	112.2	109	108.4	116.1

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

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

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