Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

February 2012

Executive Summary

- **The retail sector ended 2011 on a high, helped by the Rugby World Cup**
- **But the picture for the rest of the economy at the end of last year is more mixed**
- **Outlook for the year ahead broadly consistent with Treasury's latest forecasts**
- **Some signs of stabilisation in the global economy, but risks remain**

The steady release of activity data from the December quarter has painted a mixed picture of the state of the economy at the end of last year. The retail sector ended 2011 on a high, with core sales volumes growing by a record 2.9% in the December quarter. This undoubtedly owed much to the Rugby World Cup, although there were signs of reasonably robust underlying demand too. Meanwhile, good growing conditions in the dairy industry suggest that net exports made a sizeable contribution to GDP growth in the December quarter as well.

However, other signals from much of the rest of the economy were more patchy. The terms of trade edged lower at the end of last year (albeit remaining at a very high level) and amid signs of producers' margins coming under pressure, corporate profits were largely subdued in the second half of 2011. On balance, we remain comfortable with our forecast of solid, albeit unspectacular, 0.7% GDP growth in the December quarter.

Turning our attention to 2012 and the year ahead, we expect GDP growth to take a leg down before picking up towards the end of the year. Admittedly, both business and consumer confidence made reasonably sprightly starts to the year. However, we expect consumer spending to catch its breath in the March quarter as the level of activity adjusts after the RWC. Delays to the Canterbury rebuild suggest underlying weakness in the labour market will remain a feature until rebuilding activity gathers pace into 2013. All told, the outlook remains broadly in line with Treasury's latest set of forecasts released in support of the Government's Budget Policy Statement last month.

On the international front, the outlook for the global economy has stabilised somewhat over the past month or so. An agreement on a new bailout for Greece, a second round of the ECB's Long-term Refinancing Operations, and stronger than expected economic data from the US have helped to support the recent improvement in global financial market sentiment. However, with many of the underlying structural problems remaining unsolved, we expect global economic and financial conditions to remain highly volatile for the foreseeable future.

In this month's *Special Topic* we examine the evidence and drivers behind the loss of competitiveness seen in New Zealand's economy over the past decade. We find that while the strong nominal exchange rate is at least part of the story, improving competitiveness and productivity in New Zealand requires an economy-wide perspective and wide ranging reforms.

New Zealand Government

ISSN-1175-6780 – Text finalised 2 March 2012

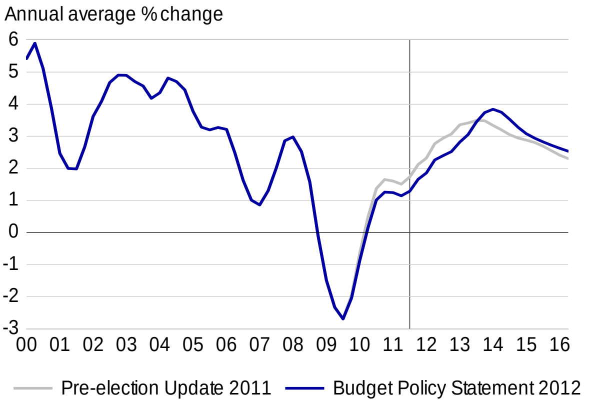
Analysis

Treasury recently released a revised set of economic forecasts in support of the Government's Budget Policy Statement (BPS). While not a full economic and fiscal update, the forecasts present a weaker outlook than that contained in the Pre-election Economic and Fiscal Update (PREFU) released last October. In this month's MEI we review February's economic developments in light of our BPS forecasts.

Weaker outlook driven by global risks

The weaker outlook for the year head underpinning the BPS reflects a number of factors. On the domestic front, delays to the Canterbury rebuild, which is now not expected to get underway until late 2012, partly explain the outward shift in the growth profile. The lower level of GDP in Treasury's updated forecasts is also a function of official revisions to GDP back-data (Figure 1). However, ongoing risks in the global economy, emanating from Europe, are the main factor behind the weaker forecasts. While there are tentative signs of some degree of stability emerging in the global economy (see later on), the underlying issues appear only to have been 'kicked down the road'. Treasury's new forecasts incorporate weaker trading partner growth than in PREFU.

Figure 1 – Real GDP



Source: Statistics NZ, Treasury

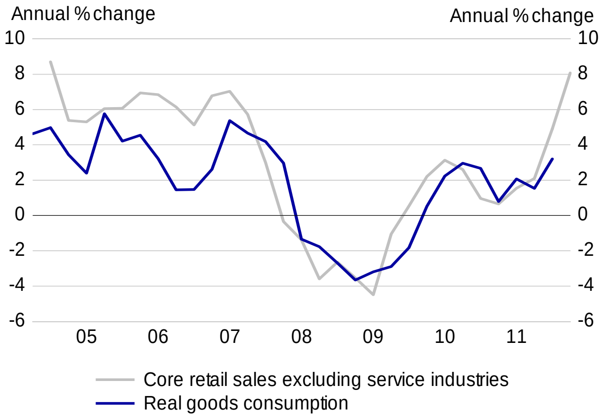
Retail sector ended 2011 on a high...

With regard to New Zealand, the steady release of activity data from the December quarter has given us our first indication of the state of the economy at the end of last year. The most eye-catching figures released to date undoubtedly come from the retail sector. Core retail sales volumes (which exclude vehicle-related spending) rose by 2.9% in the December quarter from the previous period – the largest increase since the series began in 1995 – and following a sizeable 2.6% increase in the September quarter too. Including the vehicle-related components, total sales volumes rose by 2.2% on the quarter and by 6.8% on a year ago.

The strong retail performance undoubtedly owes partly to the Rugby World Cup (RWC) – despite it only taking place in one month of last quarter. Total sales volumes in Wellington and Auckland (which both hosted play-off games) rose strongly, with annual growth of 9.5% and 10.0% respectively. The RWC-impact also appears to be visible in corporate profit announcements from the second-half of last year, with entertainment and accommodation firms amongst the few that posted strong results in the period.

Notwithstanding the impact of one-off events (including the release of the iPhone 4S and the reopening of department stores in Christchurch), the December data point to reasonably strong underlying retail demand as well. Thirteen of the fifteen retail sub-categories posted quarterly growth, led by supermarkets, electronic goods and department stores. Between them, these three sectors accounted for well over half the total quarterly growth in sales volumes seen in the December period. Regions that did not host RWC games also did well– notably Waikato.

Figure 2 – Retail Sales and Goods Consumption



Source: Statistics NZ

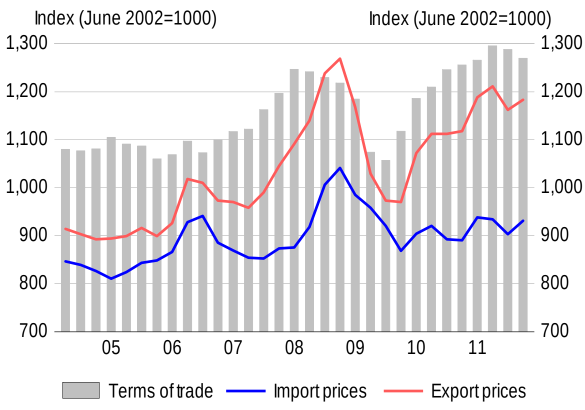
The big question is how the retail figures will be apportioned between private consumption and service exports in the December quarter's GDP data (due to be released on 22 March). With tourist spending booked on departure, we expect service exports will capture a sizeable amount of total RWC spending at the end of last year. On balance, we now expect consumption to have grown by around 1% in the December quarter

(0.4% in our BPS forecasts). However, with the additional consumption spending likely to be matched by a run-down in stocks, which surged in the September quarter, the upside risk to our production GDP forecast of 0.7% is small.

...but data from rest of economy is patchy

We are still awaiting firm data from much of the rest of the economy for the December quarter. What we do have paints a mixed picture. On a positive note, good growing conditions in the dairy industry helped export volumes reach a record high in the December quarter. Total exports rose by 2.9% on the quarter. Following a 2.1% fall in import volumes, driven by lower consumption and intermediate goods imports, we expect net exports to make a sizeable contribution to GDP growth in the December quarter.

Figure 3 – Terms of Trade



Source: Statistics NZ

However, other signs are less positive. The merchandise terms of trade remained at a historically high level in the December quarter (Figure 3). But the modest decline seen at the end of last year is likely to continue over the year ahead as global commodity prices ease back (discussed further later on). Producer price data are heavily influenced by changes in commodity prices, but recent trends suggest that producers' margins are coming under pressure too. (A wider discussion on overall inflation trends follows later on.) The picture of businesses struggling to pass on cost increases to consumers appears consistent with the largely subdued corporate profits figures reported in the second half of 2011. With the exception of the banking sector and firms that benefited from the RWC (as discussed earlier), the latest profit announcements from the private sector have been largely flat from the same period in 2010. Corporate taxes were broadly in line with expectations in the second half of 2011. But given lower than expected PAYE receipts and higher than expected GST refunds to insurance companies, total Crown tax revenue came in 1.5% lower than Treasury's PREFU forecasts.

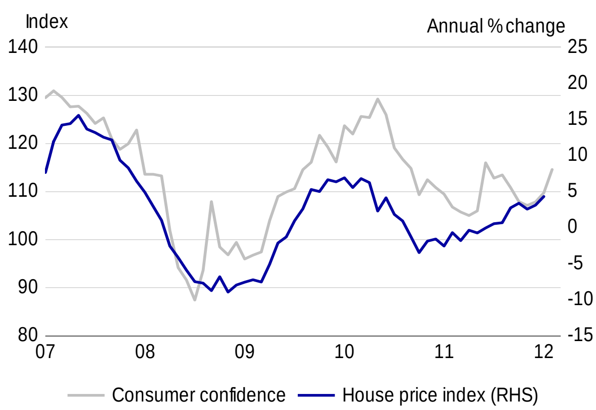
Activity in the construction sector also remains low by historical standards. While new dwelling consents rose strongly in January (up 27% on a year ago), and are likely to increase further as the Canterbury rebuild gathers pace later this year, the current level of approved consents is almost a third lower than its five-year average. All told, although we'll be keeping a close eye on developments over the coming weeks, we remain comfortable with our BPS pick of 0.7% quarterly GDP growth in the December quarter.

Outlook remains in line with BPS forecasts...

Turning our attention to this year, the outlook remains broadly in line with the BPS forecasts. We expect consumer spending to catch its breath in the March quarter as the level of activity adjusts after the RWC and other one-off effects mentioned earlier. Given the stronger than expected spending growth seen in the December quarter, we would now not be surprised to see a small quarterly *fall* in private consumption this quarter (versus the already sharp slowdown in growth to just 0.1% in the BPS forecasts). Thereafter, the latest activity data support our view of steady, albeit unspectacular, growth throughout this year.

The seasonally-adjusted ANZ-Roy Morgan Consumer Confidence measure rose strongly in February – its third consecutive rise – although it remains below its long-run average and consistent with just modest spending growth. The mild improvement seen in the housing market over recent months may also lend some support to consumer confidence in the near term (Figure 4).

Figure 4 – Consumer Confidence and House Prices

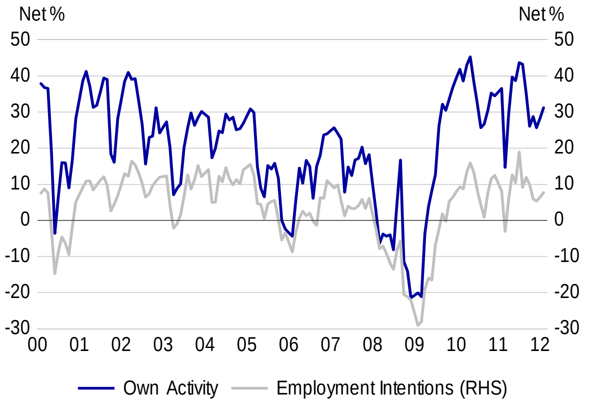


Source: ANZ, REINZ

...with business confidence picking up

The National Bank's February Business Outlook survey – the first reading for this year – showed that the recovery in business confidence from the falls seen in the second half of 2011 continued into 2012 as well. The headline series rose for the fourth consecutive month in February, with a net 28% of businesses now expecting economic conditions to improve over the year ahead – the highest proportion since September last year. The sizeable improvement was shared across most of the survey, with a strong Canterbury effect seeming to underpin confidence in the construction sector.

Figure 5 – National Bank Business Confidence



Source: National Bank

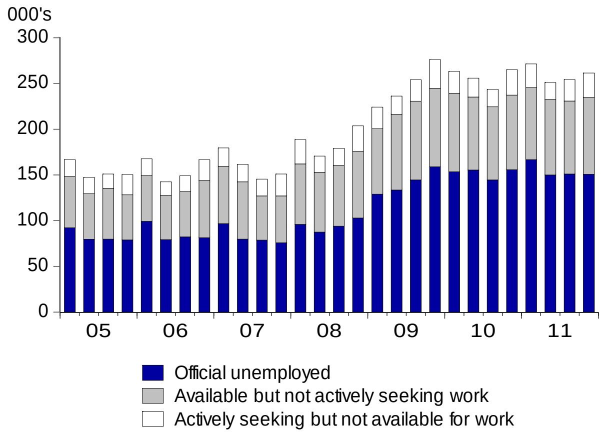
A slight pick-up in the survey's employment intentions component chimes well with recent encouraging headline figures from the labour market too. The Household Labour Force Survey (HLFS) unemployment rate fell by more than expected to 6.3% in the December quarter (from 6.6% previously) – its lowest level since the start of 2010. The Quarterly Employment Survey (QES) total paid hours series – a direct input into production GDP – also rose by a solid 0.6% (seasonally adjusted) in the December quarter from the previous period.

But signs of underlying labour weakness

However, putting things in perspective, business confidence remains some way short of the highs reached in the middle of last year and there are signs of underlying weakness in the labour market too. This has three elements. First, while HLFS employment did edge up by 0.1% in the December quarter, the increases seen in employment are only just keeping pace with the increasing size of the working age population. The employment rate (the proportion of the working age population in employment) was steady for the third consecutive quarter at 63.9% at the end of last year. (Note: we would not read too much into the sharp fall in HLFS hours worked series in the December quarter as the series is volatile and the fall at least partly appears to be a correction from a strong September quarter.)

Second, the fall in the unemployment rate in the December quarter was driven by a modest decline in labour market participation rather than a significant increase in employment. Admittedly, the participation rate (the proportion of the working age population that is either employed or actively seeking and available for work) remains high by historical standards. But there is evidence of a "discouraged worker" effect as people have dropped out of the labour market. This shows up in the total number of jobless people – a measure which includes those individuals identified in the official unemployment statistics (who are both available and willing to work) and also those individuals who are not fully active in the labour market. Of the 110,000 rise in total jobless people seen over the past four years since the labour market was at its tightest, around a third of the increase reflects an increase in the number of people who are available for work, but are not actively seeking it (Figure 6). These people are sometimes referred to as discouraged workers.

Figure 6 – Total Jobless People Breakdown (000s)



Source: Statistics NZ, Treasury

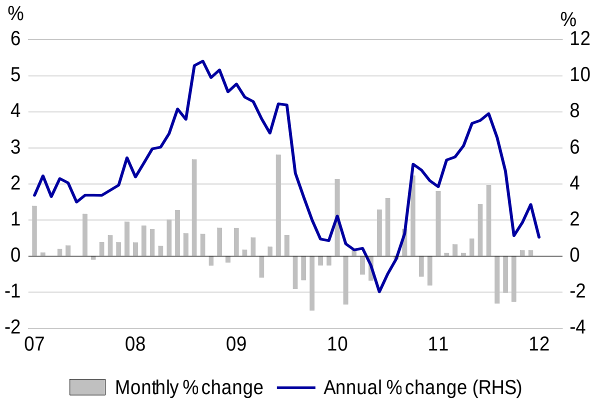
Finally, there is little sign of an acceleration in real wage growth, despite the weak outlook for consumer price inflation.

Inflation pressures to stay contained

Against this backdrop, we expect underlying inflation pressures to be contained, with headline CPI expected to stay towards the bottom half of the 1-3% target over the coming quarters. Recall that headline inflation fell sharply at the end of last year as October 2010's GST rate increase dropped out of the annual comparison and food prices fell sharply.

Inflation data for the March quarter are not scheduled for release until 19 April. However, monthly data on food prices (which make up around one-fifth of the overall inflation basket) suggest that these are unlikely to put much upward pressure on headline inflation in the near term. Food prices were unchanged on the month in January, with a 3.6% monthly increase in fruit and vegetable prices broadly offset by falls in the cost of non-alcoholic drinks and meat, poultry and fish products. Food prices have now posted monthly increases in only two of the past six months and annual food inflation is currently at its slowest rate (1%) since it dipped into negative territory in mid-2010 (Figure 7).

Figure 7 – Food Price Inflation



Source: Statistics NZ

The Reserve Bank of New Zealand (RBNZ) Survey of Expectations (conducted at the start of February) also suggests that inflation expectations have eased back. Expectations of inflation one year ahead fell to 2.2% in the March quarter – its slowest rate since the start of 2010. Similarly, expectations of inflation two years ahead fell to 2.5% from 2.8% previously. The next review of the Official Cash Rate is scheduled for 8 March.

Trade deficit skewed by one-off capital import

The trade balance made a weaker than expected start to the year by recording a surprise deficit of $199m in January, against market expectations of a $200m surplus. Export receipts actually grew by a sizeable 13% on a year ago, led by strong growth in the dairy industry on the back of good growing conditions. However, the balance was skewed by the import of a large aircraft which helped imports rise by 19.3% from January 2011. Without this one-off factor, imports would have grown by (an admittedly still solid) 12.8% on the year and the trade balance would have registered a small surplus of $15m.

However, there are signs of commodity prices easing back. ANZ's February commodity price index was unavailable at the time of writing but it is expected to show further falls in world prices for New Zealand's exports (which are already down 9% from a peak in May 2011). The price of Fonterra's dairy products fell 3% to a two-month low in the latest auction in mid-February.

Non-commodity exporters, which are outweighed by their commodity cousins but still account for around 40% of total exports, are also at the whim of developments in the global economy. As we shall see shortly, conditions are reasonably calm at the minute, but plenty of risks remain.

Global outlook stabilises somewhat…

February saw the global outlook stabilise somewhat with the agreement over a new Greek bailout, markets showing moderate improvement, and data continuing its more positive tone. As a result *Consensus* forecasts of growth for New Zealand's main trading partners have stayed at around 3.5% for 2012, and 4% for 2013. While the risks of hugely disruptive events have receded, overall risks remain to the downside, with significant rebalancing still required in the global economy.

…with agreement over new Greek bailout…

EU leaders were finally able to reach agreement on a new €130b bailout package for Greece, a positive step forward, but definitely not the end of the crisis. The private sector debt restructuring still has to occur, with "voluntary" participation not assured; some bond holders may be forced to participate through the use of collective action clauses. Even if the bailout is completed in March and the impending debt redemption is met, there will still be significant risks in the actual implementation of the large number of austerity measures. It seems unlikely that debt will be reduced to 120% of GDP by 2020, and Greece is likely to return to the headlines at some future date.

The second round of the ECB's Long Term Refinancing Operation (LTRO) occurred at the end of February, with the €529.5 billion borrowed broadly in line with market expectations. This was slightly above the first round's borrowing of €489.2 billion. The key will be how much of this lending enters the real economy through loans to businesses and households.

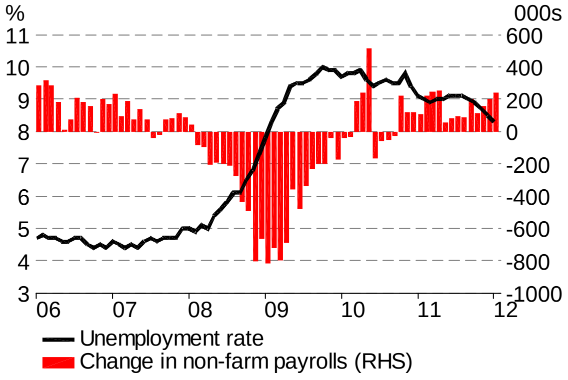
…leading to a moderate improvement in markets

Equity markets continued the modest improvement seen in January, with the Dow Jones up around 2% and the DAX up 3.5%. After hitting lows of around US $1.27 in January, the USD/EUR rebounded following the Greek deal to around US $1.34 at the end of February. The risk-sensitive NZD and AUD both edged higher against the USD in February, while staying relatively steady against the EUR. Global commodity prices rose in February, mainly on the back of strong rises in oil prices. Tensions and EU sanctions pushed Brent crude prices from about US $110 a barrel at the start of the month to peak at over US $125 near the end of the month. WTI and Dubai crude prices also saw similar increases. This is of some concern to the already fragile recovery in developed countries, in which higher oil prices reduce disposable income.

US continues to show progress…

The US labour market continued to show improvement, with non-farm payrolls rising a much stronger-than-expected 243,000 in January, pushing the unemployment rate down to 8.3% (Figure 8). Regional PMIs mostly showed improvement, and both the manufacturing and non-manufacturing ISMs rose above expectations in January to sit at 54.1 and 56.0 respectively. Retail sales disappointed somewhat on account of poor vehicle sales and industrial production was below expectations, although the manufacturing subcomponent was strong. Housing data is beginning to show signs of recovery, albeit from a low base.

Figure 8 – US Labour Market Statistics



Source: Datastream

… while Europe still weak

Euro area GDP fell 0.3% in the December 2011 quarter, slightly less than anticipated. German and Italian GDP both fell, but French GDP rose. The aggregate euro-area manufacturing PMI edged 0.2 points higher to 49.0; a larger increase had been expected. The non-manufacturing PMI unexpectedly fell 1.0 point to 49.4. Lending data showed some signs of stabilisation, with bank lending to companies falling only €1bn in January, compared to a €35bn fall in December. A mild recession is still forecast for 2012.

Monetary easing in China…

Annual inflation unexpectedly rose from 4.1% to 4.5% in January, as food prices rose 4.2% month on month. Most analysts put this down to the effect of Chinese New Year; inflation should begin moderating again through 2012. In line with market expectations, the People's Bank of China announced a 50 basis point easing of reserve requirement ratios. This is likely the beginning of an easing cycle owing to the weaker global demand, although authorities will be keeping a keen eye on the housing sector in an effort to prevent significant bubbles and overheating.

…with Australian easing on hold

The Reserve Bank of Australia held its policy rate steady at 4.25% in February, contrary to market expectations for a 25 basis point cut. The accompanying statement, comments, and later the minutes, reveal that there is likely a more significant hurdle in place now for further cuts, with the current setting being seen as appropriate. Further supporting the idea of a higher hurdle was the better-than-expected labour market outturn in January, with employment rebounding 46,000 and the unemployment rate dropping to 5.1%. This followed a cumulative 41,000 fall in employment over the previous two months.

All in all, the outlook for the global economy has stabilised somewhat over the past few months. However, many of the underlying problems remain unsolved and we expect global economic and financial conditions to remain volatile for the foreseeable future. Meanwhile, although the New Zealand economy appears to have grown solidly at the end of last year, growth is expected to be slower in the current period. We await the release of December quarter GDP data on 22 March.

Special Topic: A closer look at the competitiveness of the New Zealand economy

In June 2011's MEI we published a special topic on the exchange rate. This focused on the drivers of the nominal exchange rate and how movements in the dollar impact on the economy.[1] One perspective frequently touched on with respect to the exchange rate is competitiveness. This gets us into the world of real exchange rates and is the focus of this special topic.

A country's real exchange rate incorporates two components to give a wider sense of a country's competitiveness:

1) **Nominal exchange rates** unsurprisingly are a key element. Exchange rates are a relative price – the value of one currency expressed in terms of another currency. The value of a currency can change either because it has changed or the value of the currency in which it is measured has changed.

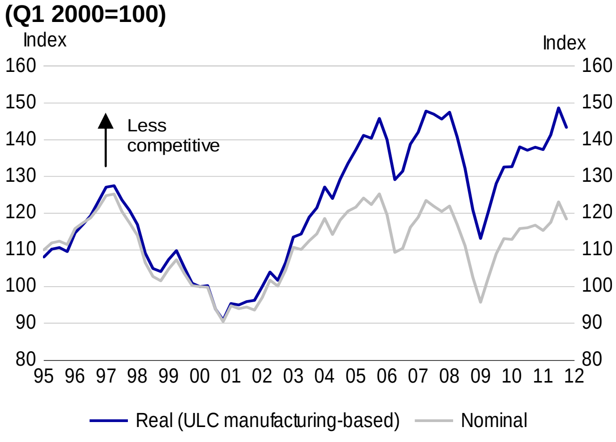
2) **Relative rates of inflation** make the adjustment from the nominal exchange rate to the real exchange rate. The inflation rates can be either consumer price inflation as a proxy for inflation in the economy as a whole or some measure of inflation related more closely to the productive sector (or a part of it) in the economy. Unit labour costs are often used as a measure of competitiveness in the productive sector of an economy; unit labour costs (ULC) are the cost of producing one unit of output in either the entire economy or a specific sector, and are measured as wage growth adjusted for productivity increases. If unit labour costs in an economy are growing faster than in its competitor economies, all else equal, that economy is losing competitiveness relative to its peers. Such a loss of competitiveness could be the result of high wage growth and/or low productivity growth.

When assessing a country's competitiveness it's important to consider whom it is that you are measuring it against. Bilateral exchange rates can only show you so much. It is therefore common to think in terms of effective exchange rates – simply weighted averages of bilateral exchange rates in relation to a 'basket' of other countries. These help to look through sometimes volatile bilateral exchange rate movements to give a broad view of a currency's strength. The Reserve Bank's trade-weighted index (TWI) is a well-known example of an effective exchange rate.

Another thing to consider when assessing a country's competitiveness is what part of the economy it is that you are looking at. Common measures frequently centre on the manufacturing sector, as a proxy for the total economy, reflecting the fact that this sector is usually the most involved with trade.

Figure 9 shows the IMF's estimates for New Zealand's effective exchange rate on both a nominal and a real basis from 2000 onwards. Both effective indices are measured relative to a group of 26 advanced countries.[2] The real effective exchange rate (REER) is calculated according to unit labour costs in the manufacturing sector only.

Figure 9 – New Zealand Effective Exchange Rates (Q1 2000=100)



Source: IMF

Interpreting the data

So far, so good. But what should we make of the data and, in particular, the divergence between the nominal and real effective exchange rates that has opened up since the early 2000s?

Starting with the nominal effective exchange rate (NEER), the chart shows that this is at least part of the story behind New Zealand's loss of competitiveness. The nominal exchange rate has rebounded sharply since falling in early-2009 and is currently around 10% higher than its long-run average. However, it's difficult to interpret much from the nominal exchange rate alone. To the extent that the strong nominal exchange rate

[1] See Treasury WP 10/10, *New Zealand's Exchange Rate Cycles: Evidence and Drivers;* and Treasury WP 11/01, *New Zealand's Exchange Rate Cycles: Impacts and Policy*

[2] These countries are: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Australia, Canada, Denmark, Hong Kong SAR, Israel, Japan, Korea, New Zealand, Norway, Singapore, Sweden, Switzerland, United Kingdom, and United States.

reflects fundamental factors such as high commodity prices for NZ exports, it is difficult to 'apportion blame' as it were. Indeed, if you thought that the strength of the NEER was underpinned by a structural shift in the fundamental factors underlying the exchange rate, you may think that the current exchange rate is justified and reflects a new reality. Treasury is conducting research into the level of the exchange rate, building on the earlier working papers referenced above, which will touch on the concept of exchange rate overvaluation.

However, the wedge that has opened up between the NEER and the REER since the early 2000s gives another sense of New Zealand's loss of competitiveness (at least in the manufacturing sector). This wedge captures the extent that the cost of producing a unit of manufacturing output in New Zealand (the unit labour cost) has risen relative to a basket of 26 advanced countries over the past decade. It follows that while a nominal exchange rate depreciation may help to lower the real exchange rate and increase the economy's competitiveness on the whole, to assess the final impact on competitiveness you have to consider second-round effects on wages as well. Indeed, if a nominal exchange rate depreciation feeds through into even higher wages and ULCs in the economy (or in a specific industry), the initial boost to competitiveness may be offset.

Admittedly, by focussing solely on just one part of the New Zealand economy, this analysis paints only a partial picture of the economy's competitive position. The notion of competitiveness is more complicated than can be conveyed on a chart and should recognise the composition of a country's output and exports. Certainly, the manufacturing sector represents just a small part of total output in New Zealand.

However, this analysis highlights how improving competitiveness and productivity in the New Zealand economy requires an economy-wide perspective and wide ranging reforms. Treasury will be doing more work on this subject over the coming months.

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

Contact for enquiries:
The Treasury
PO Box 3724
Wellington
NEW ZEALAND

information@treasury.govt.nz
Tel: +64 4 472 2733
Fax: +64 4 473 0982

New Zealand Key Economic Data

1 March 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	-1.4
	ann % chg	12.7	17.9	12.3	6.7	7.1	3.4	1.1
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	1.1	0.1	0.2	0.2
	ann % chg[1]	0.0	1.8	1.3	1.7	2.0	1.1	1.6
Unemployment rate	%[1]	6.9	6.4	6.7	6.6	6.6	6.6	6.3
Participation rate	%[1]	68.1	68.2	68.0	68.6	68.3	68.4	68.2
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.5	0.5	0.4	0.5	0.6	0.6
	ann % chg	1.6	1.6	1.7	1.8	1.9	2.0	2.0
QES average hourly earnings - total[5]	qtr % chg	0.7	1.0	0.5	0.4	1.1	1.2	0.1
	ann % chg	1.0	1.1	1.8	2.6	3.0	3.2	2.8
Labour productivity[6]	ann ave % chg	1.6	0.9	-0.2	-0.8	-0.9	-0.7	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	0.6	-0.3	0.0	1.0	1.1	2.6	2.9
	ann % chg	2.6	1.5	0.3	1.4	1.9	4.5	7.5
Total retail sales volume	qtr % chg[1]	0.5	-0.5	-0.4	1.1	1.0	2.3	2.2
	ann % chg	3.4	1.9	-0.1	0.8	1.1	3.9	6.6
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 %	11.3	9.5	11.4	-1.6	18.5	30.0	9.9

Monthly Indicators

		2011M 8	2011M 9	2011M10	2011M11	2011M12	2012M 1	2012M 2
External Sector								
Merchandise trade - exports	mth % chg[1]	3.1	-0.9	1.3	1.3	2.7	2.4	...
	ann % chg[1]	9.8	9.0	6.0	6.9	12.3	12.9	...
Merchandise trade - imports	mth % chg[1]	12.6	2.4	-5.3	9.7	-11.1	18.0	...
	ann % chg[1]	15.9	16.4	6.4	16.2	-2.0	19.2	...
Merchandise trade balance (12 month total)	NZ$ million	1028	694	688	330	853	646	...
Visitor arrivals	number[1]	224000	265430	241580	214750	224440	...	...
Visitor departures	number[1]	209850	239380	280360	217560	220370	...	...
Housing								
Dwelling consents - residential	mth % chg[1]	20.7	-18.4	11.4	-5.8	2.6	8.2	...
	ann % chg[1]	19.2	-4.0	11.7	-4.9	18.4	19.6	...
House sales - dwellings	mth % chg[1]	5.2	-3.3	-0.8	6.8	4.6	1.1	...
	ann % chg[1]	20.5	21.2	28.9	17.8	20.5	26.7	...
REINZ - house price index	mth % chg	0.5	1.7	-0.3	1.1	-0.1	-1.4	...
	ann % chg	0.7	2.7	3.4	2.6	3.1	4.3	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	-0.4	0.5	1.5	-0.6	-0.2	1.2	...
	ann % chg	8.4	7.5	7.4	6.0	7.2	4.7	...
New car registrations	mth % chg[1]	9.1	-11.5	1.3	7.8	4.5	2.3	...
	ann % chg	1.9	-12.2	-8.8	-7.9	4.2	4.5	...
Migration								
Permanent & long-term arrivals	number[1]	7390	6950	6700	7080	6670	...	...
Permanent & long-term departures	number[1]	7260	7620	7270	7180	7190	...	...
Net PLT migration (12 month total)	number	2257	773	-103	-568	-1855	...	...
Commodity Prices								
Brent oil price	US$/Barrel	110.35	111.96	110.43	111.16	108.35	111.41	...
WTI oil price	US$/Barrel	86.33	85.65	86.41	97.11	98.57	100.10	...
ANZ NZ commodity price index	mth % chg	-0.2	0.2	-0.7	1.1	-0.6	-2.9	...
	ann % chg	5.7	4.9	3.8	5.9	1.2	-4.4	...
ANZ world commodity price index	mth % chg	-1.4	-2.0	-3.6	-1.1	-0.8	1.2	...
	ann % chg	22.0	16.5	9.0	5.5	3.1	0.1	...
Financial Markets								
NZD/USD	$[2]	0.8384	0.8143	0.7879	0.7728	0.7697	0.8007	0.8343
NZD/AUD	$[2]	0.7978	0.7943	0.7799	0.7635	0.7603	0.7691	0.7780
Trade weighted index (TWI)	June 1979 = 100[2]	72.10	71.20	69.30	68.20	68.60	71.20	73.30
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.90	2.88	2.76	2.69	2.69	2.74	2.75
10 year govt bond rate	%[2]	4.55	4.41	4.54	4.14	3.91	3.86	3.98
Confidence Indicators/Surveys								
National Bank - business confidence	net %	34.4	30.3	13.2	18.3	16.9	13.6	28.0
National Bank - activity outlook	net %	43.3	35.4	26.1	28.8	25.7	21.9	31.2
ANZ-Roy Morgan - consumer confidence	net %	113.3	112.6	112.2	109	108.4	117.5	115.7

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

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

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