Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

April 2012

Executive Summary

- **Indicators point to increasing New Zealand growth over 2012, although the pace will be only moderate**
- **Inflation remains subdued, but expected to pick up somewhat from late 2012**
- **Global growth forecasts have edged higher, although significant downside risks remain**

April saw a slight improvement in local economic sentiment, while global sentiment softened towards the end of the month as data were generally weaker than anticipated. However, in line with risks easing since late 2011, forecasts for world and key trading partner growth edged higher. Nevertheless, risks remain elevated and skewed to the downside.

The Quarterly Survey of Business Opinion (QSBO) showed a general improvement in sentiment, in line with a moderate pickup in growth in 2012 for the New Zealand economy. Firms' expectations for trading activity are at their highest level since 2003, although history teaches us to be careful interpreting this figure as subsequent experience has fallen short of expectations recently. Employment intentions have tracked broadly sideways, suggesting only a modest increase in employment in the March quarter (to be released 3 May). Canterbury is leading the way in several of the QSBO measures, likely in anticipation of the ramp up of the earthquake rebuild. However, there are some concerning signs, with increasing difficulty finding labour and higher pricing pressures in the region.

Overall inflationary pressures remain modest, with annual inflation falling to 1.6% in the March quarter from 1.8% in the December quarter. Most of the quarterly increase in prices was owing to an increase in tobacco duties, although there were some signs of the Canterbury earthquakes generating pricing pressures. Increased EQC levies and higher rents were two of the most obvious signs of this. The Treasury expects inflationary pressures to remain subdued for the first half of 2012, before edging into the top half of the Reserve Bank's 1-3% target band as the economy and Canterbury rebuild pick up pace.

While international forecasts edged higher during April, international data appeared to lose some momentum towards the end of the month. For the US, China and Australia, data are still showing reasonable growth, whereas European data have continued to be weak. Risks have declined since the end of 2011, but remain elevated and skewed to the downside. This became increasingly apparent in April as market attention turned to Spain, driving its borrowing costs higher. Despite an easing of commodity prices, the NZD remained relatively high, providing an ongoing headwind to the tradable sector. This month's *Special Topic* takes a closer look at New Zealand's tradable sector, the difficulties in measuring it, and how it has performed in recent years.

New Zealand Government

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Analysis

April saw a slight improvement in domestic economic sentiment, while global sentiment weakened towards the end of the month as data were generally weaker than anticipated. However, in line with risks easing since late 2011, forecasts for world and key trading partner growth edged higher. Risks do, however, remain elevated and skewed to the downside. The Quarterly Survey of Business Opinion (QSBO) was indicative of a pickup in activity later in 2012 for the New Zealand economy, with indicators for the manufacturing and service sectors, as well as consumer confidence, supporting this view.

Global outlook slowly improving…

Despite generally weaker-than-expected international data towards the end of April, the global outlook is slowly improving. *Consensus* forecasts edged higher to 3.6% in 2012 for New Zealand's top 16 trading partners in April, after being stable over the previous two months. Most of the forecast improvement was focused in Asia. *Consensus* can lag changes in the outlook, but it would appear that we may have reached a turning point for near-term global growth forecasts. However, while the short-term outlook is improving, medium-term forecasts, which are updated twice a year, eased to 4.0% across 2014 to 2016. While the declines were fairly broad based, China was the main driver, with its 2016 growth rate forecast to be 7.4%, down from 7.7% in the previous update.

The IMF released its *World Economic Outlook* (WEO) in April, which saw world growth forecasts for 2012 rising from 3.3% in its *January Update* to stand at 3.5%. The forecast improvement was primarily owing to upward forecast revisions for the US, but the euro area also saw a slight upgrade for 2012 (i.e. less negative). However, the IMF did note that the improvements were "very fragile" and policymakers still had a lot to do. The IMF expects 4.1% growth in global output in 2013; this will mostly be driven by emerging economies, while developed economies face continued drag from government and household consolidation.

…but risks remain, especially in the euro area

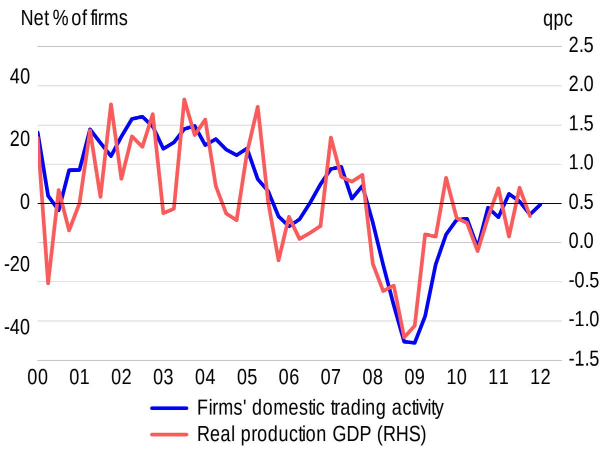
While risks have eased somewhat since late 2011, they remain elevated and skewed to the downside. This became increasingly evident during April as market attention turned to Spain. Missed budget targets, revised forecasts and ongoing concern about the banking sector saw 10-year bond yields rise to around 6%, up from 4.9% at the end of February. If bond yields remain high, a bailout could be required. Data have not been particularly supportive either, with key euro area activity indicators weakening much more than expected, bringing renewed concerns of a deeper recession. Other downside risks include higher oil prices and a hard landing in China.

QSBO indicates general improvement…

The outlook for the New Zealand economy also looks to be more positive, with the QSBO survey for the March quarter indicative of a strengthening. A seasonally-adjusted net 24% of firms expect the general business situation in New Zealand to improve over the next six months, rebounding from only 1% in the December quarter. This was in line with the recent increase in confidence recorded in the National Bank Business Outlook (NBBO), albeit to a slightly lower level. These increases came on the back of improving global sentiment over the first quarter of 2012, as well as the closer prospect of the Canterbury rebuild.

Expected improvement in firms' own trading activity in the next three months rose from a net 15% previously to a net 24% positive in March, the strongest since 2003. Of note, however, is that since the Global Financial Crisis (GFC), expectations have consistently overshot actual conditions experienced the following quarter. While we acknowledge this divergence, we still see the figures as a signal for improvement, if not a precise indicator for the magnitude of growth.

Figure 1 – Real GDP and Own Activity Outlook

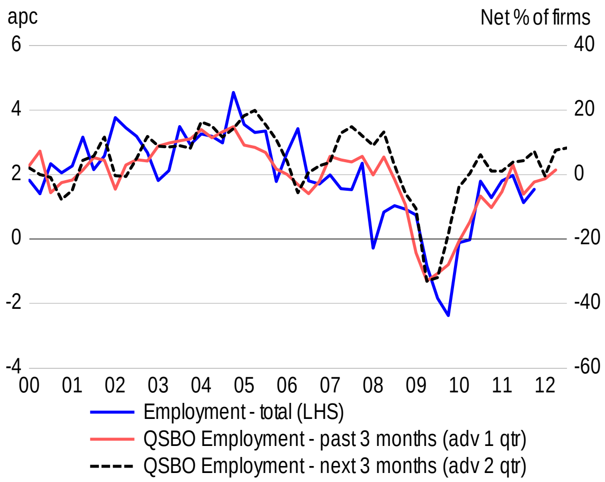


Source: NZIER, Statistics New Zealand

Actual trading activity edged higher, from a net 3% of firms experiencing weaker conditions in the December quarter, to a net 0% experiencing stronger conditions in the March quarter. This is still well below the long-run average of 11%, but consistent with about 0.5% quarterly growth (Figure 1). This helps to support the 2012 Budget Policy Statement's forecast for 0.5% GDP growth in the March quarter.

Firms' employment intentions were flat, although both experience and expectations are above long-term averages (Figure 2). This is somewhat at odds with employment outturns over the last three quarters, with quarterly employment growth averaging only just over 0.1%. Difficulties finding both skilled and unskilled labour were broadly flat in the quarter. We expect employment growth to remain subdued in the March quarter (due 3 May), before starting to pick up more at the end of 2012, in line with the Canterbury rebuild and general pick up in the economy.

Figure 2 – QSBO employment intentions and employment growth



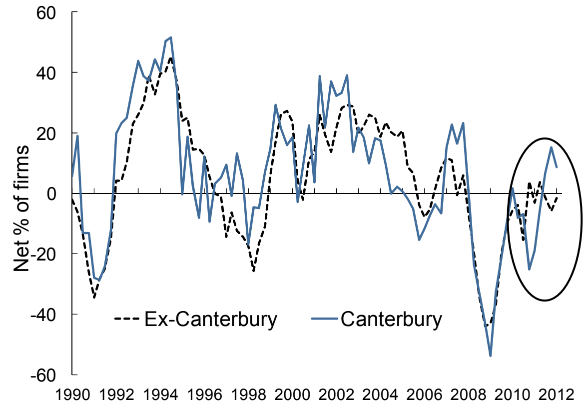
Source: NZIER, Statistics New Zealand

…with Canterbury leading the way

While there was a general improvement recorded at a national level in the QSBO data, Canterbury has led the way when viewed at a regional level. Figure 3 shows that while experienced trading conditions fell marginally in the March quarter, Canterbury is well above the rest of the country. "Survivor bias" in the survey may explain some of this, but it is definitely a positive sign for the region. Business confidence is also much higher, with a net 25% of firms positive about the next six months, compared to 11% for the rest of the country. Employment intentions, both experienced and expected, are much higher than recorded in the rest of the country.

While the above are positives, it is also more difficult to find skilled and unskilled labour (confirming what we heard on our recent business talks), and pricing pressures are also higher. Capacity is more of a constraint in Canterbury, with capacity utilisation much higher than the rest of the country. The Reserve Bank will be keeping a keen eye on inflationary pressures coming out of Canterbury as the rebuild progresses, especially if they generate second-round effects in the rest of the country.

Figure 3 – Experienced domestic trading activity Canterbury & rest of country (seasonally adjusted)

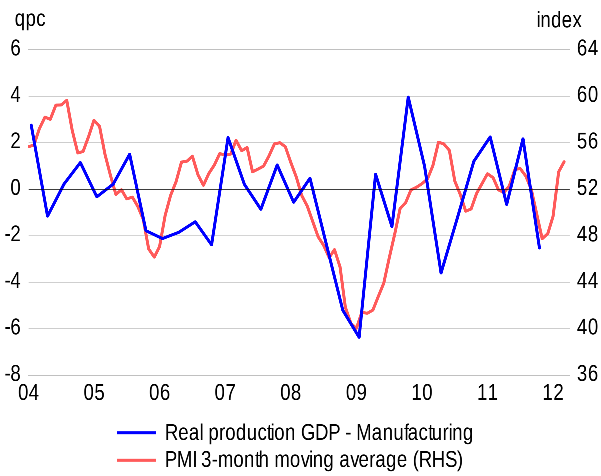


Source: NZIER

PMI still indicative of March quarter manufacturing rebound…

The March PMI (Performance of Manufacturing Index) fell 3.2 points to 54.5, staying in expansionary territory (i.e. over 50). The average of 54.4 in the PMI over the March quarter suggests a strong positive contribution to GDP from manufacturing (Figure 4). The PMI was reinforced by the QSBO where manufacturers' output expectations rose, with future output well above the long-run average.

Figure 4 – PMI and manufacturing GDP



Source: BNZ-BusinessNZ, Statistics New Zealand

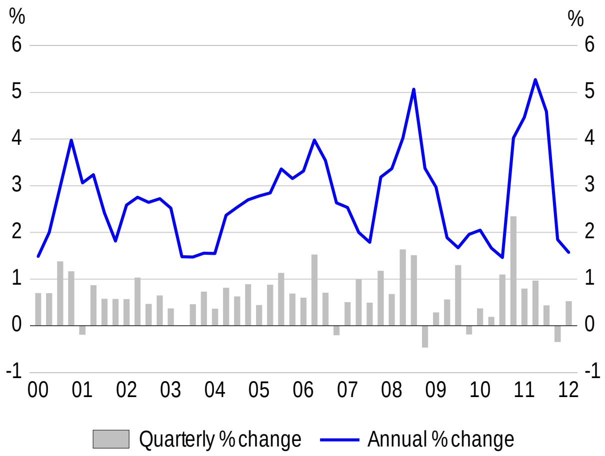
…with PSI suggesting robust services growth

Like the PMI, the PSI (Performance of Services Index) eased in March, down 1.9 points to 53.9 from a strong February readout. An overall average of 54.4, and an improving QSBO services component, both point to robust service sector growth in the March quarter.

March quarter inflation driven by tobacco duty increase…

The CPI inflation rate was 0.5% in the March quarter, in line with market expectations. The main driver was a 14.5% increase in tobacco excise rates; without this, inflation would have been only 0.2%. Annually, inflation was 1.6%, down from 1.8% in the December quarter (Figure 5).

Figure 5 – Inflation



Source: Statistics New Zealand

The effect of the Canterbury earthquakes and rebuild could be seen, with the other major positive contribution coming from the housing and household utilities group. This was driven by a 0.9% increase in rents, primarily from the South Island (likely owing to the reduced supply increasing rents in Christchurch and elsewhere), and a 0.7% rise in new housing prices (up 2.8% for the year). Other earthquake-related contributions in the quarter included increased insurance premiums (up 3.0%) owing to an increase in the EQC levy on 1 February 2012 from 5 cents per $100 of insurance to 15 cents, and general premium increases arising from quakes.

Tradables prices dropped 0.4% in the quarter, following a 0.9% fall in the December quarter, taking annual tradables inflation down to 0.3%. The recent appreciation of the NZD and seasonal falls in airfares and package holiday prices were the main contributors. Non-tradables prices rose 1.2% in the quarter, with almost half the rise attributable to the increase in the tobacco excise rate. Rising housing costs, increased insurance premiums, and a seasonal rise in education fees also contributed. Annual non-tradables inflation held steady at 2.5%.

…but pricing pressures remain subdued

Overall pricing pressures remain relatively subdued at present. The QSBO pricing intentions edged higher in the March quarter, but remain below their long-run averages. Slightly more firms experienced higher costs in the quarter (32%, up from 30%), while more firms expected cost increases in the next quarter (32%, up from 21%). As with pricing pressures, both series remain below their long-run averages. Capacity utilisation fell back to 89% from above 90% in December.

Core measures of inflation (excluding some of the most volatile items) also indicate only modest inflationary pressures. The 10% trimmed mean rose 0.5% in the quarter taking the annual rate down to 1.7%. The weighted median rose 0.4% in March and 2.0% for the year.

The pace of inflation is expected to move slightly lower over the middle of 2012 as domestic trading conditions remain moderate and the high value of the NZD continues to put downward pressure on tradables prices. After that, we expect inflation will rise around the middle of the Reserve Bank's target band as the effect of the high NZD fades and rebuilding in Canterbury begins to ramp up. A pick up in trading conditions should allow firms greater scope to pass on recent rises in costs to households and the Canterbury rebuild will put pressure on rents and construction costs.

As widely expected, the Reserve Bank of New Zealand held the OCR steady at 2.5%. Its statement was seen as dovish, reflecting the subdued inflationary pressures. The first rate hike is expected by forecasters to be in late 2012 or early 2013.

Housing market loses some momentum

The housing market lost some momentum in March, but the trend is still one of strengthening. On a seasonally adjusted basis, sales went from a 7.8% monthly increase in February, to fall 3.3% in March. However, sales are still up 25.3% on an annual basis. Auckland sales fell 2.2%, but are up almost 17% in March on a year earlier. Sales in the Canterbury/Westland region more than doubled from the quake-impacted levels a year ago.

The REINZ house price index rose 0.9% in March, taking the annual increase to 4.2%, from 2.8% in February. The Auckland median house price index fell slightly in March, but is 6.0% higher annually. Other indicators such as days to sell improved slightly, from 38 to 37 days (s.a.), suggesting more buyers are entering the market.

We expect low interest rates and tight supply in Auckland and Canterbury to support modest house price growth for the remainder of 2012. However, household consolidation and negative net migration will provide ongoing partial offsets. Modest price gains should provide a signal for the construction sector to lift residential investment from current lows.

Consumer sentiment improving…

ANZ-Roy Morgan Consumer Confidence rose in April, with the seasonally adjusted current conditions measure reaching a 52-month high. This is a positive sign for consumption moving forward, although we expect flat real consumption growth in the March quarter following strong growth in the previous two quarters, boosted by the Rugby World Cup. Core retail electronic card transactions (ECT) for the March quarter back this view. Core retail ECT values rose 0.5% in March to be up 0.4% for the quarter and 5.8% for the year. The monthly rise was driven by increases in hospitality, consumables and apparel spending.

…but global concerns may keep further increases limited

While global growth forecasts may have edged higher at the start of April, data out towards the end of the month showed a general weakening. For the US, China and Australia, data are still showing reasonable growth, albeit having lost some momentum, whereas European data have continued to be weak and the UK slipped back into a recession in the March quarter.

China GDP below market expectations…

China appears to be managing a “soft landing” so far, in line with our expectations and with positive implications for growth in the rest of Asia and Australia. China’s GDP rose 8.1% annually in the March quarter, slightly below the 8.3% expected by the market. This was down from 8.9% in the December quarter. We expect growth to remain slightly above 8% for 2012. If growth continues to moderate, there is ample fiscal and monetary room for the government to act. The inflation rate unexpectedly rose to an annual 3.6% in March owing to a surge in vegetable prices. Analysts expect it will resume its downward trend in April.

… while US data loses some momentum

The US appeared to lose some momentum during the month, with data generally disappointing expectations. Non-farm payrolls rose 120,000, only half of the market expectations. Nevertheless, a fall in the participation rate saw the unemployment rate fall 0.1% point to 8.2%. Industrial production was flat for the second straight month, with manufacturing easing slightly, although the latter had risen strongly the previous two months. Regional manufacturing indicators eased back, suggesting there will not be a significant increase in manufacturing in April. Consumer confidence eased in April, but remains at much higher levels than in the second half of 2011. Housing data were mixed again, but generally on the weaker side. Retail sales were up a robust 0.8% in March, 6.5% for the year. We expect only moderate growth for the US over 2012 and 2013, tempered by fiscal consolidation next year.

Australian inflation well below expectations

Overall developments in Australia were mixed, with employment bouncing back, but inflation very soft. Inflation came in well below market expectations at 0.1% in the March quarter, to be 1.6% for the year. It is widely expected that the Reserve Bank of Australia will cut its policy rate 25 basis points at its 1 May meeting to 4.0%; markets have also priced in further cuts later in the year.

Employment rose 44,000 (0.4%) in March, well above the 8,000 expected by markets. The unemployment rate remained unchanged at 5.2% as the participation rate rose. Analysts have warned not to read too much into the result, as labour market data have been volatile recently, although there is perhaps a slight improvement in trend over 2012 after a poor 2011.

Global markets ease

Global equity markets eased somewhat over April, as macro data were largely below expectations and euro area concerns re-emerged. US equities fell by less owing to better-than-expected earnings reports; they remain at the highest levels seen since the start of the GFC. The risk-off tone saw US 10-year Treasury yields fall from around 2.3% to about 2.0%, a significant move owing to an increased demand for bonds. Euro area peripheral spreads against the German Bund began edging higher again as a result of growing risk aversion. The NZD eased marginally, owing to a risk-off tone and a subdued inflation outturn.

Global commodity prices also eased, with fairly broad-based falls across hard and soft commodities. Of particular note for New Zealand was a 9.9% fall in dairy prices at Fonterra's mid-April online auction. This was largely put down to higher global supply on good growing conditions. If this downwards trend were to continue and the NZD were to remain high, farmers' payouts would be lowered.

Overall, despite some mixed data and softening global markets, the international outlook is still one of moderate and improving growth, although with significant risks remaining, particularly in the euro area. Domestic data pointed to a pickup in activity later in 2012, albeit only moderately. Treasury's latest forecasts are due to be released alongside the Budget on 24 May.

Special Topic: Tradable Sector in New Zealand

In early 2011, the Treasury published a working paper on the drivers of the exchange rate and how movements in the dollar impact on the tradable sector.[1] This note takes a more detailed look at the tradable sector measure used in that working paper and elsewhere by the Treasury.

What is the tradable sector?

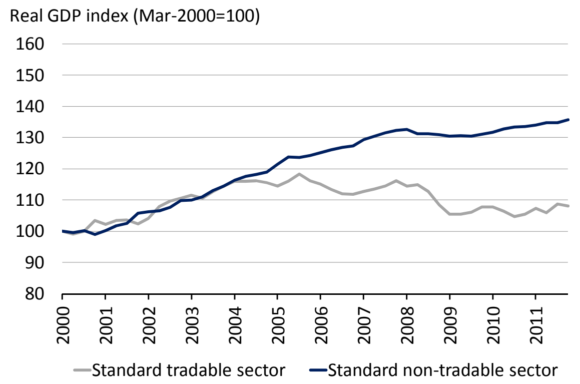
The tradable sector produces output that can readily be traded internationally (at a reasonable price) so is the part of the economy most exposed to global competition. As a result, it is more likely to experience stronger productivity growth than the non-tradable sector. The tradable sector is also more able to contribute to growth in a country's exports (because it includes industries that export a large proportion of their output) or to reduce a country's imports (as it includes import-competing activity). Given New Zealand is a small and relatively open economy and given recent modest growth in both productivity and exports, there is considerable interest in the performance of the tradable sector.

How do we estimate tradable sector output?

There is, however, no ideal measure to gauge the tradable sector's performance (unlike consumer prices, which have an official measure of tradable prices). Over the last three years, the Treasury has used an estimate of tradable sector output building on previous work by the IMF and Reserve Bank of New Zealand and similar to estimates made by the ANZ Bank and Savings Working Group.[2] Our standard estimate uses a simple approach that tracks changes in tradable sector output based on industries judged most likely to produce tradable output – the primary sector (agriculture, forestry and logging, fishing and mining) and manufacturing. The volume of value-added production GDP in these industries is then added to the volume of service exports (expenditure GDP) using quarterly seasonally-adjusted data.

Service exports are used to proxy services that are tradable because there are difficulties in isolating tradable service activity. For example, tourism cuts across industries and education is dominated by domestic students. It is not recommended to add service exports (a measure of final demand) to value-added industry output, but to reduce this problem we only refer to index numbers and not levels. Non-tradable output is the residual with total GDP. Using these measures, the tradable sector has seen output diverge from the non-tradable sector (Figure 1).

Figure 1 –Tradable and non-tradable output



Source: Statistics New Zealand, The Treasury calculations

Are there other approaches?

We can test this simple and arbitrary approach using Input-Output tables from Statistics NZ, the last official set being for 1995/96, to choose which industries had exported a large share of their final demand or imported a large share of their inputs. The difficulty is choosing the share to be used as a cut-off for an industry to count as tradable. Using 30%, the tradable sector is agriculture, forestry, fishing, mining, five manufacturing industries (food, beverage and tobacco, textile

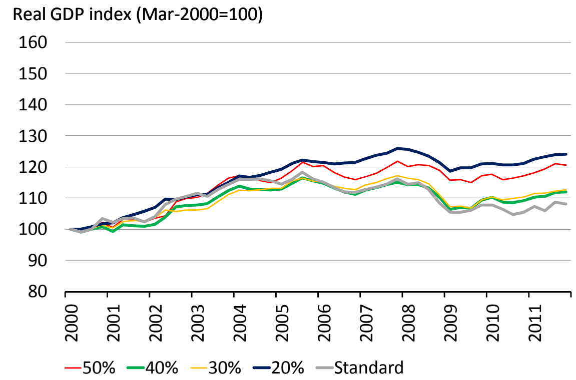
[1] See Treasury Working Paper 11/01, *New Zealand's Exchange Rate Cycles: Impacts and Policy*.

[2] See pages 4 of IMF, 56 of RBNZ, 3 of ANZ, and 13 of SWG:
www.imf.org/external/pubs/ft/scr/2006/cr06160.pdf
http://www.rbnz.govt.nz/monpol/about/3075588.pdf
http://www.anz.co.nz/resources/c/c/ccb813004a410738ac72edac93b0266b/ANZ-QEF-20122202.pdf
http://www.treasury.govt.nz/publications/reviews-consultation/savingsworkinggroup/pdfs/swg-charts-1feb11.pdf

and apparel, wood and paper products, metal products, and petroleum, chemical, plastic and rubber) wholesale trade, accommodation, restaurants and cafes and transport and storage. These are similar to the goods industries above, although some industries within manufacturing are excluded as they mostly service the domestic market, and we now have three service industries. They are also the industries typically noted in overseas studies.[3]

The tradable sector using a 30% or 40% share is similar to our simple measure. A 20% share brings in printing, publishing and recorded media, machinery and equipment and furniture and other manufacturing, electricity, gas and water, communications and property and business services. Using this definition, the tradable sector has performed somewhat better than most of the narrower definitions as it includes some faster growing service industries (Figure 2). The 50% share also performs relatively well as it excludes non-food manufacturers, which have contracted in recent years. Clearly, the tradable definition using this approach still depends on a choice about how much an industry is exposed to overseas trade.

Figure 2 – Tradable sector sensitivity

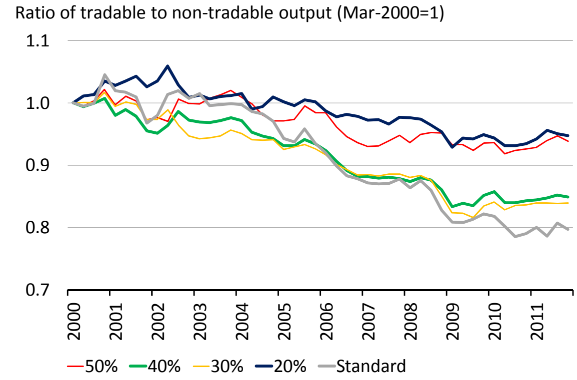


Source: Statistics New Zealand, The Treasury calculations

What has happened to the tradable sector?

Tradable sector output has diverged from the non-tradable sector over the 2000s no matter which measure above is used. The divergence is less using high and low shares as there is a double impact from shifting a high-growth industry (eg, communications) from non-tradable to tradable or shifting a low-growth industry (eg, textiles) the other way as the tradable sector benefits and the non-tradable sector is dampened (Figure 3).

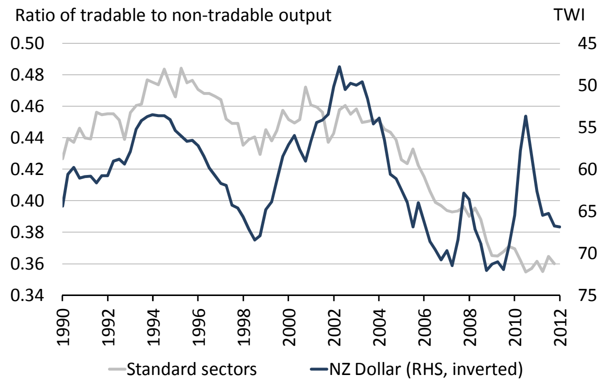
Figure 3 – Tradable/non-tradable divergence



Source: Statistics New Zealand, The Treasury calculations

One factor often identified as contributing to this divergence is the high level of the NZ dollar, which reduces the returns for firms exporting and/or competing with imports, all else equal. There does appear to be some relationship between the exchange rate and tradable sector output (Figure 4). The main exception is the fall in the NZ dollar in 2008/09 when tradable output failed to rise, but this was during the global financial crisis.

Figure 4 – Tradable/non-tradable and the TWI



Source: Statistics New Zealand, RBNZ, The Treasury calculations

What happened within the tradable sector?

Most of the industries identified as tradable saw output fall over the last five years, partly reflecting a high exchange rate. This is not to say the exchange rate is the only factor driving the recent poor performance of the tradable sector. The global financial crisis clearly had an impact in 2008/09, particularly manufacturing and tourism, and drought had a negative impact on the primary sector at a similar time before recent good growing conditions. Import-competing manufacturing firms faced additional factors such as competition from China and trade liberalisation. Also, the expansion of government-dominated industries over much of the 2000s may have crowded out resources from the tradable sector.

[3] For Australia, see Knight and Johnson (1997).

Output in agriculture, forestry and mining has risen over time, encouraged by higher world prices. Service exports have been weak owing to travel spending, which is particularly sensitive to a high exchange rate. Industries on the verge of being tradable such as communications have performed better, but even communications has been flat in recent years owing to fewer call minutes.

What are the issues with these approaches?

This analysis suggests the “standard” tradable measure is an approximation to using reasonable export and import shares. However, there are still several issues to be aware of. Lower and higher shares – and the share chosen is arbitrary – can show somewhat different pictures as industries that are on the cusp of being tradable come in or fall out of the equation. The time period chosen for analysis can also influence the comparisons.

A more significant difficulty is gauging shifts over time within an industry towards producing tradable output. For example, retail trade may still be dominated by non-tradable activity such as grocery stores, but new technology has significantly changed the retailing of books, music and movies to make them more tradable. The simple demarcation of an industry as either tradable or non-tradable for long periods of time can miss important changes within an industry.[4]

Areas for further work

This *Special Topic* outlines how we constructed a measure of tradable output and notes the many caveats, in particular, measuring tradable services. Newer Input-Output tables and the move to the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 classification could help refine our tradable measure (eg, ANZSIC 2006 has an improved breakdown of services). There are other measurement issues, including adding together chain-linked seasonally-adjusted data, treating non-tradable output as a simple residual with GDP and better measuring import-competing industries, which could be improved on.

This note has not examined other aspects of tradable sector performance, including productivity, employment, capital intensity, or prices. A fuller analysis of relative tradable and non-tradable prices, beyond the exchange rate, could shed light on why resources appear to have shifted from the tradable to the non-tradable sector. However, it is important to look at other measures such as exports and imports, industry productivity, unit labour costs and exchange rates (as in February 2012’s *Special Topic*). These also show a fall in competiveness and build-up of imbalances in New Zealand over the 2000s.

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

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[4] See Claus (2003) and Claus, Lattimore, Le an d Stroombergen (2009) for analysis of changes within industries.

New Zealand Key Economic Data

27 April 2012

Quarterly Indicators

		2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	-0.1	0.3	0.7	0.1	0.7	0.3	...
	ann ave % chg	1.0	1.2	1.2	1.0	1.2	1.4	...
Real private consumption	qtr % chg[1]	0.4	0.5	0.5	0.3	1.6	0.8	...
	ann ave % chg	2.0	2.2	2.0	1.8	2.0	2.5	...
Real public consumption	qtr % chg[1]	0.1	1.2	0.4	0.1	0.5	-0.7	...
	ann ave % chg	2.2	3.4	3.7	3.2	2.8	1.8	...
Real residential investment	qtr % chg[1]	-6.4	-6.9	-2.2	-7.0	-0.5	4.2	...
	ann ave % chg	4.7	4.6	4.4	-4.9	-11.3	-12.0	...
Real non-residential investment	qtr % chg[1]	1.0	8.6	-0.8	0.9	-2.4	1.1	...
	ann ave % chg	-4.8	1.9	7.5	10.5	10.8	6.9	...
Export volumes	qtr % chg[1]	-1.0	1.8	0.8	-0.5	0.7	2.8	...
	ann ave % chg	3.8	2.9	1.9	1.5	2.1	2.4	...
Import volumes	qtr % chg[1]	2.4	6.9	-2.5	2.2	2.6	-2.9	...
	ann ave % chg	5.7	10.3	10.5	10.4	9.9	6.0	...
Nominal GDP - expenditure basis	ann ave % chg	3.2	5.1	5.9	6.0	6.2	4.8	...
Real GDP per capita	ann ave % chg	-0.2	0.0	0.0	0.0	0.2	0.6	...
Real Gross National Disposable Income	ann ave % chg	0.5	2.3	1.7	2.4	2.6	1.9	...
External Trade								
Current account balance (annual)	NZ$ millions	-6621	-6787	-7196	-7396	-8827	-8268	...
	% of GDP	-3.5	-3.5	-3.6	-3.7	-4.3	-4.0	...
Investment income balance (annual)	NZ$ millions	-9750	-9538	-9649	-9501	-10363	-10311	...
Merchandise terms of trade	qtr % chg	3.0	0.8	0.8	2.4	-0.6	-1.4	...
	ann % chg	17.9	12.3	6.7	7.1	3.4	1.1	...
Prices								
CPI inflation	qtr % chg	1.1	2.3	0.8	1.0	0.4	-0.3	0.5
	ann % chg	1.5	4.0	4.5	5.3	4.6	1.8	1.6
Tradable inflation	ann % chg	0.3	3.3	3.7	5.5	4.6	1.1	0.3
Non-tradable inflation	ann % chg	2.5	4.6	5.2	5.2	4.5	2.5	2.5
GDP deflator	ann % chg	2.9	6.0	4.5	4.3	4.4	0.4	...
Consumption deflator	ann % chg	0.9	2.8	3.2	4.0	3.3	1.5	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	1.1	-0.3	1.1	0.1	0.2	0.2	...
	ann % chg[1]	1.8	1.3	1.7	2.0	1.1	1.6	...
Unemployment rate	%[1]	6.4	6.7	6.6	6.6	6.6	6.3	...
Participation rate	%[1]	68.2	68.0	68.6	68.3	68.4	68.2	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.5	0.5	0.4	0.5	0.6	0.6	...
	ann % chg	1.6	1.7	1.8	1.9	2.0	2.0	...
QES average hourly earnings - total[5]	qtr % chg	1.0	0.5	0.4	1.1	1.2	0.1	...
	ann % chg	1.1	1.8	2.6	3.0	3.2	2.8	...
Labour productivity[6]	ann ave % chg	0.9	-0.2	-0.9	-1.0	-0.8	0.0	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	-0.3	0.0	1.0	1.1	2.6	2.9	...
	ann % chg	1.5	0.3	1.4	1.9	4.5	7.5	...
Total retail sales volume	qtr % chg[1]	-0.5	-0.4	1.1	1.0	2.3	2.2	...
	ann % chg	1.9	-0.1	0.8	1.1	3.9	6.6	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	114	108	98	112	112	101	102
QSBO - general business situation[4]	net %	6.4	8.1	-26.8	26.6	24.6	0.2	13.0
QSBO - own activity outlook[4]	net %	9.5	11.4	-1.6	18.5	30.0	9.9	16.9

Monthly Indicators

		2011M10	2011M11	2011M12	2012M 1	2012M 2	2012M 3	2012M 4
External Sector								
Merchandise trade - exports	mth % chg[1]	1.3	1.4	2.6	1.0	-12.3	...	...
	ann % chg[1]	6.0	7.0	12.3	12.7	-7.1	...	...
Merchandise trade - imports	mth % chg[1]	-5.5	10.0	-9.8	17.2	-12.4	...	...
	ann % chg[1]	6.3	17.1	-1.9	18.1	-6.7	...	...
Merchandise trade balance (12 month total)	NZ$ million	688	288	812	644	621	...	...
Visitor arrivals	number[1]	242210	215380	220840	213890	203680	208410	...
Visitor departures	number[1]	279020	216210	221050	219320	214650	207880	...
Housing								
Dwelling consents - residential	mth % chg[1]	11.5	-5.8	2.3	8.1	-6.7	...	...
	ann % chg[1]	11.5	-4.9	18.1	19.4	20.2	...	...
House sales - dwellings	mth % chg[1]	-0.8	7.2	4.9	1.5	8.0	-3.3	...
	ann % chg[1]	28.8	17.7	20.5	26.8	37.4	25.2	...
REINZ - house price index	mth % chg	-0.3	1.1	-0.1	-1.4	0.8	1.9	...
	ann % chg	3.4	2.6	3.1	4.3	2.7	4.2	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	1.4	-0.6	-0.2	1.1	-0.6	0.3	...
	ann % chg	7.4	6.0	7.2	4.7	8.2	5.6	...
New car registrations	mth % chg[1]	1.2	7.7	4.2	2.0	-1.8	-3.3	...
	ann % chg	-8.8	-7.9	4.2	4.5	2.3	-1.0	...
Migration								
Permanent & long-term arrivals	number[1]	6680	7080	6720	6610	7230	7460	...
Permanent & long-term departures	number[1]	7310	7200	7230	7240	7530	7330	...
Net PLT migration (12 month total)	number	-103	-568	-1855	-3134	-4068	-3383	...
Commodity Prices								
Brent oil price	US$/Barrel	110.43	111.16	108.35	111.41	119.17	124.70	*120.27*
WTI oil price	US$/Barrel	86.41	97.11	98.57	100.10	102.30	106.19	*103.07*
ANZ NZ commodity price index	mth % chg	-0.7	1.1	-0.6	-2.9	-4.0	-0.2	...
	ann % chg	3.8	5.9	1.2	-4.4	-10.8	-17.6	...
ANZ world commodity price index	mth % chg	-3.6	-1.1	-0.8	1.2	0.0	-1.7	...
	ann % chg	9.0	5.5	3.1	0.1	-2.5	-8.5	...
Financial Markets								
NZD/USD	$[2]	0.7879	0.7728	0.7697	0.8007	0.8343	0.8208	*0.8192*
NZD/AUD	$[2]	0.7799	0.7635	0.7603	0.7691	0.7780	0.7779	*0.7914*
Trade weighted index (TWI)	June 1979 = 100[2]	69.30	68.20	68.60	71.20	73.30	73.00	*73.10*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.76	2.69	2.69	2.74	2.75	2.74	*2.74*
10 year govt bond rate	%[2]	4.54	4.14	3.91	3.86	3.98	4.17	*4.04*
Confidence Indicators/Surveys								
National Bank - business confidence	net %	13.2	18.3	16.9	...	28.0	33.8	...
National Bank - activity outlook	net %	26.1	28.8	25.7	...	31.2	38.8	...
ANZ-Roy Morgan - consumer confidence	net %	112.2	109	108.4	116.1	113.3	110.2	114.0

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