Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

August 2012

Executive Summary

- **Economic conditions point to moderate growth in the June quarter…**
- **...but global risks remain.**
- **Labour market data were soft, but starting to show some positive signs...**
- **…while retail sales rebounded in the June quarter.**

The New Zealand economy appears to have grown at a moderate pace of around 0.6% in the June quarter of 2012, with robust growth in private consumption supported by higher labour incomes. A similar pace of growth is expected to continue in the second half of the year and annual growth may be slightly higher than our Budget forecast of 2.2%. However, risks remain to the outlook, particularly from Europe but also from China and the Asian region.

Labour market indicators were mixed in the June quarter, but overall remain soft. The unemployment rate rose to 6.8%, and has remained broadly steady since the Global Financial Crisis (GFC). However, there were some positive signs, with hours paid increasing significantly in the quarter. Wage growth is moderate despite the high unemployment rate, in part owing to increasing difficulty in finding skilled labour.

Retail sales, supported by higher incomes, rebounded from their post-Rugby World Cup dip in March. As a result, we have increased our consumption forecast for the June quarter from 0.5% to 1.0%. However, we expect consumption to return to a slightly below-trend rate of around 0.5% per quarter over the rest of 2012, consistent with below-average consumer confidence and ongoing household consolidation.

Global market sentiment improved during August, as the positive tone from ECB President Draghi's "blue print" for intervention at the start of the month permeated through thin trading volumes caused by the Olympics and northern hemisphere summer holidays. There are several key events in September, with the Troika returning to Greece, the German Constitutional Court ruling on the European Stability Mechanism (ESM) and fiscal compact, and a parliamentary election in the Netherlands. Market sentiment could change very quickly.

This month's special topic examines the outlook for commodity prices and trade. World commodity prices fell sharply over the June quarter but have risen strongly over the past few weeks, driven by a recovery in oil prices and a surge in grain prices to record levels. Beyond this year, the rise in grain prices may assist a recovery in New Zealand's terms of trade.

New Zealand Government

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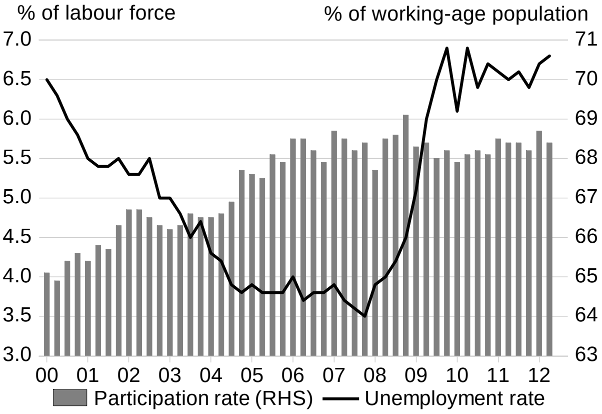
Analysis

Economic conditions continue to point to moderate growth of around 0.6% in the June quarter. The labour market is showing mixed messages, and despite some positive signs, is still soft. Retail spending grew strongly, supported by rising incomes as some wage pressures emerge, despite the unemployment rate remaining elevated. Summer holidays in the northern hemisphere meant the euro crisis was largely on hold during August, but downside risks remain as the Troika returns to Greece in September to assess its progress. The euro crisis, coupled with ongoing concerns about China's economy, mean the momentum seen in the first half of 2012 might not be carried forward into the second half. Having said this, *Consensus* forecasts for New Zealand for GDP for calendar 2012 are now higher than those incorporated in the *Budget Update (BEFU)* at 2.4% and 2.2% respectively.

Labour market remains soft…

The Household Labour Force Survey (HLFS) continued its softness in the June quarter, against expectations for a slight strengthening. The unemployment rate edged higher from 6.7% to 6.8% (Figure 1), as employment fell slightly. The fall in employment was driven by a 18,000 (3.4%) fall in part-time employment, while full-time employment rose by 13,000 (0.8%).

Figure 1 – Unemployment and participation rates

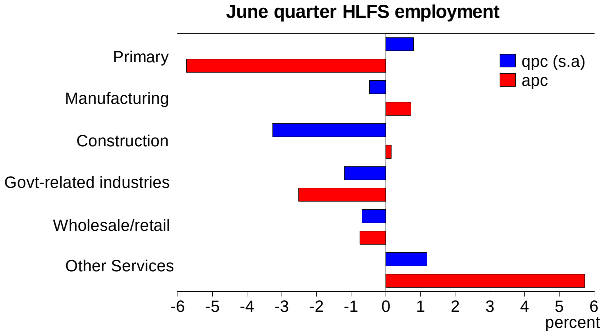


Source: Statistics NZ

Of some concern was the loss of momentum in the recovery of the Canterbury labour market. After showing some positive signs in the year to March quarter 2012, the HLFS reported a 5.5% fall in Canterbury employment in the year to June 2012, with the number of unemployed rising 8.5%. This result goes against some other indicators and our expectations given the ongoing recovery in the region. Volatility in regional data is likely a contributing factor to the result.

Underlying the soft labour market data, a more divergent story can be seen between sectors (Figure 2). Other services employment has been the main positive story, rising almost 6% over the last year, and is one of the larger sectors in terms of numbers employed. This is consistent with growth in the services components of GDP being driven by the pickup in housing and finance sectors, and the Performance of Services (PSI) index remaining in expansionary territory.

Figure 2 – Sector employment – June quarter



Sources: Statistics NZ, Treasury

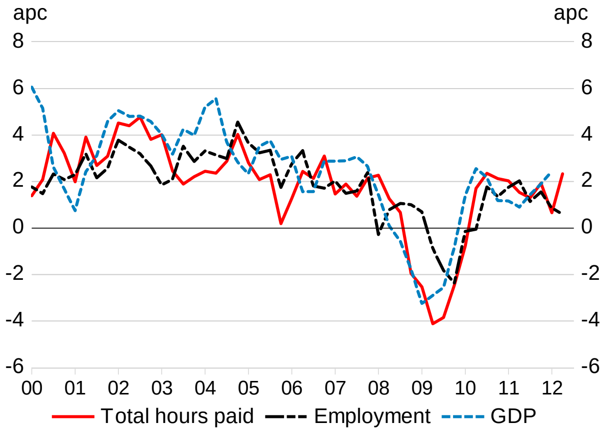
… but some positive signs emerging

While the HLFS was soft, the Quarterly Employment Survey (QES) showed some positive signs for the labour market. Filled jobs rose 0.7% in the quarter, to be 1.9% higher for the year, indicating growing demand for labour. This was also illustrated by a sharp 2.1% increase in QES total paid hours in the quarter, to be 2.4% higher annually, pointing to employers increasing hours before numbers of employees. Having said this, total hours worked from the HLFS rose only 0.5% in the quarter, and are 0.4% lower over the last year. The QES excludes the agricultural sector and those who are self-employed, helping to explain some of the differences between the surveys, but not all. These exclusions may also help to explain why the QES was more positive on Canterbury than the HLFS, with filled jobs rising 0.5% in the year ending June 2012, the first annual rise since September 2010. Regardless, the high hours paid result is positive for June quarter GDP (Figure 3).

Overall, the labour market remains soft, with the unemployment rate tracking broadly sideways since its peak during the GFC. However, there are some positive signs, with some service industries performing well and hours paid starting to pick up.

The Canterbury labour market remains subdued; however, excluding Canterbury, employment rose 0.8% in the quarter and 1.6% annually, much higher than the 0.6% national annual increase. This can be seen in a positive light, with a strengthening expected in the Canterbury labour market as the rebuild gets underway in earnest.

Figure 3 – Hours paid, employment and GDP



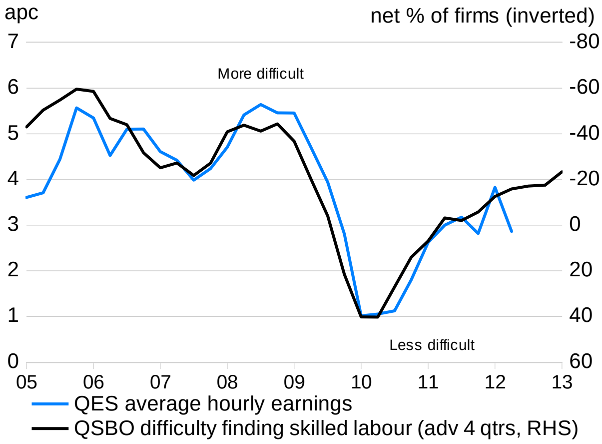
Source: Statistics NZ

Wage growth moderate in June quarter…

Despite the unemployment rate increasing and decline employment growth in the June quarter, wage growth has been reasonable over the last year. QES average hourly earnings growth slowed somewhat on an annual basis in the June quarter to 2.9%, but remains well above the lows seen during the crisis (Figure 4). While wage growth has yet to return to the rates seen prior to the crisis, indicators, such as the Quarterly Survey of Business Opinion's difficultly finding skilled labour, point to a rising trend. Difficulty finding skilled labour is increasing towards levels seen in the mid-to-late 2000s, when unemployment was much lower. This could be owing to an increasing mismatch between skills required by employers and those seeking work. This increase can be made worse as workers can lose skills the longer they are out of work. As a result, unemployment falls more gradually, and wages rise as employers find it more difficult to attract and retain skilled workers. There is some evidence of job mismatch occurring in New Zealand vacancy data, but not to the same extent as several other developed nations such as the US.

Total weekly gross earnings, aided by the rise in hours paid, increased a robust 5.2% in the year to June 2012. However, the moderate wage growth has yet to translate into wider inflationary pressure, with CPI inflation at decade lows.

Figure 4 – Difficulty finding skilled labour and wages



Sources: Statistics NZ, NZIER, Treasury

...contributing to strong retail outturn…

Increasing labour incomes helped to contribute to a rebound in retail sales, growing 1.3% in the June quarter, following a post-RWC 0.6% fall in the March quarter. The increase was broad-based, with 11 of the 15 industries rising. The motor vehicles and parts industry led the way, rising 7.3%, consistent with strong car registrations over recent months. Core retail sales (excluding motor vehicles and fuel) were also strong, up 0.9%. The main contributions came from pharmaceutical and other store-based retailing (up 2.5%), food and beverage services (up 1.4%) and electrical and electronic goods (up 2.2%). At a regional level, retail sales growth was focussed outside the main centres, with the North Island excluding Wellington, Auckland and Waikato growing 4.4%, rebounding from falls over the last two quarters.

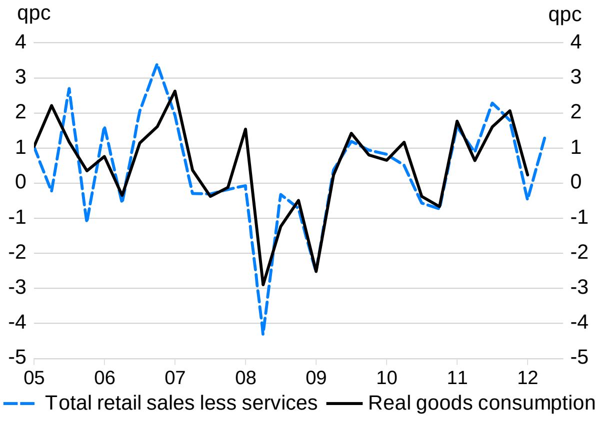
The retail sales deflator was negative for the quarter, falling 0.2%. Weak prices were likely contributing to the increase in volumes as consumers took advantage of discounting, with prices either falling or soft in the industries that saw strong volume increases. For example, there was a 2.3% fall in prices in the electrical and electronic goods industry in the quarter.

... although consumption expected to return to a more moderate trend

The stronger-than-expected retail sales outturn for the June quarter has led us to upgrade our *BEFU* 0.5% forecast of real consumption to 1.0%. Figure 5 shows a strong relationship between total retail sales less services and real goods consumption from the National Accounts. The services component has also been growing moderately, as indicated by the PSI. We expect consumption growth to return to a more modest rate of around

0.5% per quarter over the rest of 2012, consistent with the below long-run average consumer confidence and ongoing household consolidation.

Figure 5 – Real retail goods sales and goods consumption

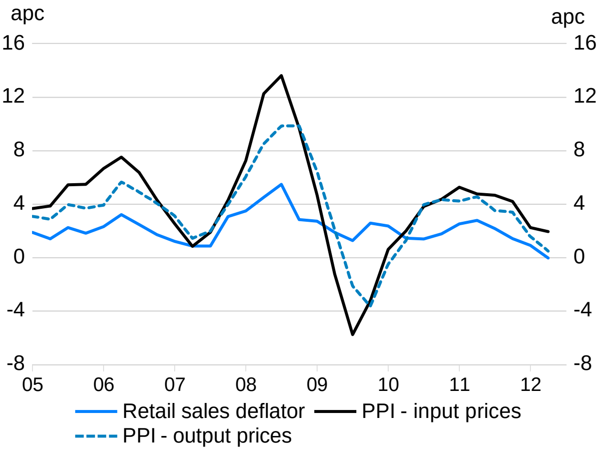


Source: Statistics NZ

Firms experiencing highly-competitive conditions…

Other data show firms are still experiencing highly-competitive conditions, where they are finding it difficult to pass on wholesale price increases. While households are doing reasonably well in aggregate (as evidenced by the wage data and retail sales), they remain very price conscious. The producer price index was further evidence of the pricing pressures, indicating margins being squeezed further in the quarter. Discounting has become prevalent in the retail market, shown by retail sales data for the June quarter and last month's soft CPI release. Figure 6 illustrates the recent declines in pricing pressures, as well as business margins being squeezed as input prices rise faster than output prices at the aggregate level.

Figure 6 – Retail sales deflator and Producer price index



Source: Statistics NZ

...but business confidence slowly picking up…

The National Bank Business Outlook for August was slightly more positive, likely reflecting an improvement in global sentiment over the month. A net 20 percent of respondents expect business conditions to improve over the next year, up from 15 percent in July. Firms' own activity expectations, which tend to be a better indicator of economic output, edged up to the series' long-run average of a net 26 percent of respondents expecting more activity out of their business over the next year. These results are broadly consistent with the Treasury's outlook of moderate growth over 2012 of 2.2%. The National Bank regional trends indicator, a reasonable indicator for GDP, also pointed to solid growth in the June quarter.

...while activity indicators soften slightly

There was some hint of a softening in the second half of 2012, with falls in both the Performance of Manufacturing Index (PMI) and PSI, although both can be volatile on a monthly basis. The PMI eased 0.6 points to 49.4 in July, as the manufacturing sector faces headwinds such as an elevated NZD and softening trading partner demand. However, we do expect prospects to improve somewhat as the Canterbury rebuild begins to ramp up. The PSI fell for the second month in a row, but remains in expansionary territory, indicating reasonable growth in the service sector.

External trade holds up despite global issues

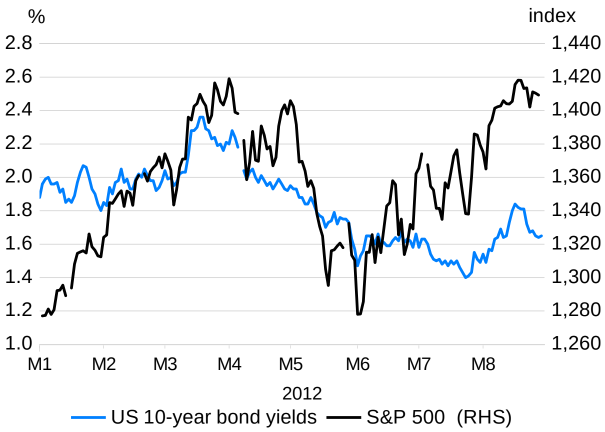
External trade is holding up well, despite the ongoing global issues. Exports have been aided by superb growing conditions over the last season. The value of exported goods rose 8.0% July 2012 compared to a year earlier, driven by an increase in milk powder, butter and cheese exports. The quantity of dairy exports rose 33% in the three months to July 2012 compared to the three months to July 2011, more than making up for subdued dairy commodity prices.

However, the value of merchandise imports grew even faster than exports, up 11% from a year earlier. This was largely driven by an increase in the value of intermediate and consumption goods imports. As a result the merchandise trade deficit remained steady at $853m. Dairy export values are expected to remain elevated over the next few months. However, the trade deficit will likely widen towards the end of the year as imports keep rising and the effects of the bumper agricultural season wear off. As discussed in the July *MEI*, the current account deficit is expected to widen in the year to June quarter to around 5.5% of GDP, from 4.8% in the year to March. For a further discussion on commodity prices and trade, see this month's Special Topic.

Global market sentiment improves in August…

Global market sentiment improved during August, as the positive tone from ECB President Draghi's "blue print" for intervention at the start of the month permeated through thin trading volumes caused by the Olympics and northern hemisphere summer holidays. Bond yields of typical safe-haven countries such as the US, UK and Germany all rose, while those seen as more risky, such as Spain and Italy, saw their bond yields fall. Equity markets rose, with the Dow up around 1.4% and S&P 500 around 2.6%. Markets appeared to be pricing in a reduction of risks in the euro area.

Figure 7 – US bond yields and S&P 500 index



Source: Haver

...but longer-term issues are yet to be resolved

While we see it as positive that some progress is being made in the euro crisis, sentiment can change very quickly, as we saw in May this year. As the holidays end in the northern hemisphere, the spotlight will return to Greece, with a further Troika assessment taking place in September. Greece's position is tenuous, with its government having repeatedly missed reform and fiscal targets. There is increasing talk of a Greek exit, which would have the potential to hurt short-term growth further in the euro area. Other key events in September include an ECB policy announcement, parliamentary elections in the Netherlands, and a ruling by the German Constitutional Court on the ESM treaty and fiscal compact. All in all, we are wary of the positive market sentiment at present when there are both short- and long-run issues still to be resolved.

The crisis is also having an effect on the real economy. The June quarter saw a 0.2% fall in euro area GDP, following a flat March quarter. Activity indicators point to a technical recession starting in Q3, with both manufacturing and services indicators well in contraction. The growth outlook is bleak, with ongoing fiscal austerity taking its toll, trade falling and unemployment rising. Structural reforms in the region will take some time before the growth benefits are seen.

US starting to show more positive signs…

After a loss of momentum over the first half of 2012, there are some signs that the downward trend is starting to reverse, with non-farm payrolls, industrial production and retail sales all above market expectations in July. The housing market also continues to show signs of recovery, with the Case-Shiller house price index rising on an annual basis for the first time since 2010. Despite the slight pickup in data, markets are increasingly expecting the Federal Reserve to enact a further round of quantitative easing in September. We expect growth to remain moderate for the rest of 2012, as uncertainty regarding the upcoming election and "fiscal cliff", as well as the ongoing euro crisis, prevent the economy from growing above trend.

…as China data remains soft…

The Chinese economy continues to be under pressure from falling external demand, as illustrated by the weak export data for July. Export growth fell from an annual 11.0% in June to 1.0% in July. Other data were soft, with industrial production, retail sales and PMIs also easing. With annual inflation easing to 1.8% in July, there is more room for authorities to ease policy; additional cuts to reserve requirement ratios and interest rates are expected. Having said this, authorities are also trying to keep a lid on asset prices and are having to walk a fine line. Overall, we still expect the economy to pick up again somewhat over the second half of the year.

…while Australia remains resilient so far

Despite easing global demand and a falling terms of trade, the Australian economy remains resilient. Retail sales grew 1.0% in June (mpc), taking the annual rate to 5.4%, the strongest in 2½ years. Robust growth is expected to continue as compensation from the government to consumers for the carbon tax and electricity price increases, as well as recent cuts to interest rates, support spending. The labour market is also a relatively bright spot, with the unemployment rate at 5.2% in June. Divergences across sectors and States (notably strong employment in Western Australia and the mining sector) are expected to rebalance somewhat over the next few years when the mining investment boom reaches its peak. Recent reports of BHP delaying projects relate to the so called “second round” of mining investment, which would occur around 2014; there is still significant capital expenditure locked in over the next year or so. The outlook is for around trend growth over the next 12-15 months (around 3¼%), with above trend growth in the mining and mining-related sectors, offset by below trend growth elsewhere.

Overall, the New Zealand economy has shown some resilience in the face of several headwinds including an elevated NZD and prolonged euro crisis. Despite a sluggish labour market, wage growth has started to pick up, with price-conscious consumers still spending. Moderate economic growth of 0.6% is expected for the June quarter, with similar quarterly growth across the rest of the year. Having said this, risks around the timing and magnitude of the Canterbury rebuild, as well as the ongoing euro crisis, mean that the momentum is not assured.

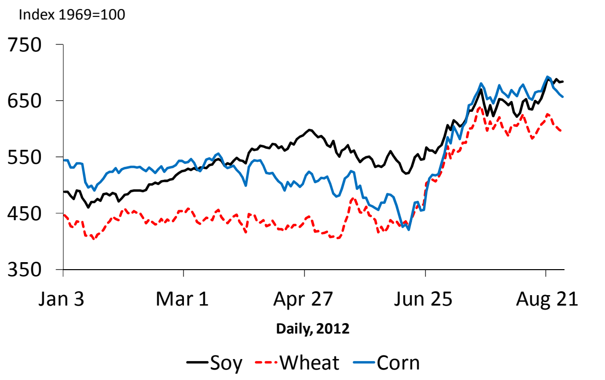
Special Topic: Commodity prices and trade developments

World commodity prices fell sharply over the June quarter but have risen strongly over the past few weeks, driven by a recovery in oil prices and a surge in grains prices to record levels. For New Zealand, the effects of the rise in oil prices are already apparent in retail petrol prices, but it could be several months before food prices are affected. The rise in oil and grain prices is also likely to contribute to falls in the terms of trade over 2012, a widening in the current account deficit and slower growth in nominal GDP. Beyond this year, the rise in grain prices may assist a recovery in the terms of trade.

Higher grain prices...

Widespread drought in the United States has curtailed expectations of corn and soybean yields, driving prices up 50% and 30% respectively since mid-June to record highs (Figure 8). Wheat prices too have increased as production estimates in Russia and the Black Sea region have been lowered. Wheat production in Australia is also at risk with key parts of Western Australia experiencing seasonally low rainfall. Concerns around cereals production in India remain; despite rainfall returning to normal over the past three weeks, monsoon rains are around 14% below average.

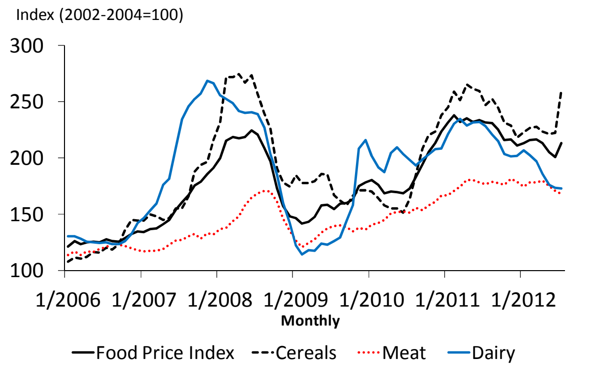
Figure 8 – Grain prices surge



Sources: S&P Goldman Sachs Agriculture Index, Haver

Reflecting these developments, the UN's Food and Agriculture Organisation (FAO) Food Price Index rose 6% in July, driven by a 17% rise in the Cereals Price Index (Figure 9). In July, the Cereals Price Index was just 5% below its April 2008 record, and developments over the past month may have pushed it above this peak. Meat and dairy prices have been declining and rice prices have been stable, unlike the situation in 2007/08 when rising prices for all food types generated popular unrest in a number of countries. Nonetheless, poor production in the southern hemisphere or export bans to secure food production could precipitate another crisis.

Figure 9 – Food prices increase



Source: FAO Food Price Index

...may increase beef and dairy prices

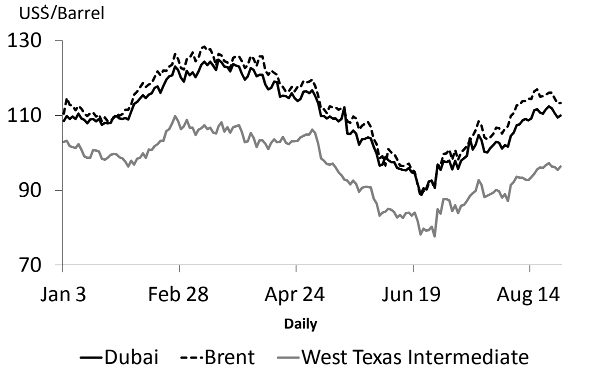
In the US, where livestock production is dependent on grains, significantly higher feed prices are expected to restrain growth of cattle numbers and reduce milk production. The US Department of Agriculture (USDA) rates almost 60% of pastures in the US as being in poor to very poor condition. The lack of pasture is inducing farmers to place cattle on grain feeds at lower weights, which is expected to flow though to more beef supply at potentially lower prices in the next 6-9 months, but less beef and higher prices later in 2013 and beyond.

Heat stress on dairy cows combined with higher feed costs is expected to reduce output per cow and raise milk prices over 2013, although prices are likely to remain well below their 2011 levels.

Higher oil prices pose challenges

Oil prices fell by around 30% from their peak earlier this year to their trough in June, led down by the worsening macroeconomic outlook. Since then they have regained much of those price falls. The rise in prices is broad based, affecting most of the oil price benchmarks including Brent, Dubai and WTI (Figure 10), indicating that the drivers are more likely to stem from demand. But there are some factors restraining supply including production outages in the North Sea, the Atlantic hurricane season, Iranian oil export sanctions and political tensions across the Middle East more broadly. These factors notwithstanding, OPEC production is at a high level.

Figure 10 – Oil prices recover



Source: Haver

On the demand side, seasonal increases are a factor and market sentiment seems to have been buoyed by discussion in Europe, China and the US of economic recovery programmes, despite ongoing weakness in the data. However, this weakness is reflected in falling prices in other energy markets, such as coal and gas, and in iron ore prices.

The rally in prices, combined with its proximity to the US presidential election, has trigged talk of a release of strategic oil reserves in the US to lower prices. A recent report by Barclays identifies two trigger points for the release of oil reserves: the price of gasoline reaching US$4 per gallon and Brent crude over $120 barrel, not too far from today's levels.

With oil prices already incorporating the impact of a recovery in demand, further price gains may be more dependent on supply developments, particularly in relation to the ability of production to expand and offset lower Iranian supply. Conversely, adverse macroeconomic developments are likely to see oil prices retreat.

The coincident rise in oil and grain prices comes at a difficult time for many developed countries, and further increases threaten to undermine already weak demand. In emerging countries too, where these commodities are a relatively large proportion of total consumption spending, the inflationary impacts may reduce the scope for policy to stimulate demand.

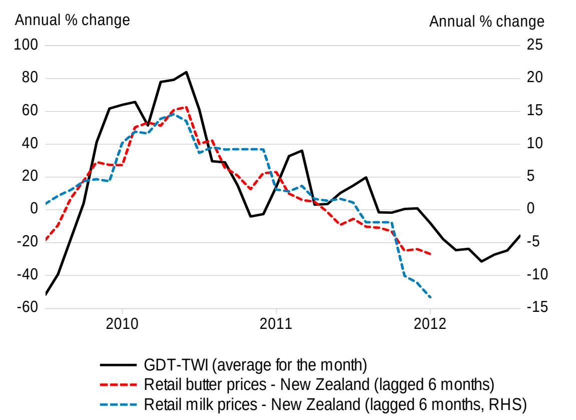
Some upside for New Zealand...

Prices at the GlobalDairyTrade auctions lifted over August reflecting, at least in part, concerns around the impact of the US drought on dairy supply over the year ahead (Figure 11). These rises, if sustained, should be reflected in export prices towards the end of 2012/early 2013. An easing in domestic production from last season's high levels is also expected to contribute to a firmer price environment. Despite this, Fonterra has lowered its forecast payout for the coming season as the strength of the New Zealand dollar outweighs gains in international prices.

In contrast to the expansion in dairy supply, global beef supplies have remained tight over the past year and NZ dollar export beef prices have remained firm, up 7% in July 2012 from the same time a year ago. Beyond the short-term drought-induced rise in beef supply and associated fall in prices, the reduced size of the US cattle herd will lead to a further tightening in beef supply and higher prices.

Changes in oil prices tend to translate rapidly into domestic prices and are likely to be reflected in higher September quarter import prices, compounding the impacts of the expected weakening in dairy and beef prices on the terms of trade in the near term.

Figure 11 – NZ food prices slow to respond



Sources: GlobalDairyTrade, Statistics New Zealand

For consumers, the rise in grains prices is likely to be reflected in higher food prices. It will take some time for these to filter through (Figure 11), with even longer lags for processed foods such as breakfast cereals, bread etc.

In addition, the proportion of total food costs affected is small (Figure 12), and food costs themselves are only about 20% of the total Consumers Price Index. The USDA is forecasting US food prices to rise by 3.5% in the year ahead.

Figure 12 – Limited impact on food costs

Source: USDA

...but not this year...

New Zealand's terms of trade (the ratio of export prices to import prices) is expected to decline for the fourth consecutive quarter in June as export prices fall. Merchandise trade figures for the quarter point to some stabilisation in dairy prices, although prices fell sharply in July's trade data as volumes rose sharply. Beef prices firmed in the quarter but weaker lamb prices may cause overall export meat prices to fall. Forestry prices also looked to be weaker, while other export prices including aluminium, fish and wine were up. Falling oil prices in the quarter contributed to a 1.9% decline in total goods import values; export values were down 1.6%, suggesting softer import prices may help to offset falls in export prices in the June quarter Overseas Trade Indexes (OTI) terms of trade to be released on 3 September.

...as the current account deficit widens...

The weakening in export prices and in the terms of trade is also being reflected in a narrowing of the Balance of Payments goods surplus and slower nominal GDP growth. We estimate the annual goods surplus to have closed to 0.6% of GDP in the year ending June 2012, down from 1.4% in March, which contributes directly to a widening of the current account deficit. In addition, the positive tone of recent company reports to the New Zealand share market, including those from the major banks, points to a wider income deficit. Balance of Payments figures for the year ending June 2012, released on 19 September, are expected to show a current account deficit of around 5.5% of GDP, up from 4.8% of GDP in March.

...and nominal GDP growth stalls

Growth in the current price, or nominal, measure of Gross Domestic Product (GDP) slowed to 3.1% in the year ending March 2012, with growth essentially stalling in recent quarters. The modest June quarter CPI outturn, combined with further falls in the terms of trade, points to slow nominal GDP growth in the June quarter and there is currently little to suggest things will pick-up in the September quarter. June quarter GDP is to be released on 20 September.

Nominal GDP is growing more slowly than expected in our Budget forecasts, although much of this is attributable to data revisions, but tax revenues in the 11 months to May were close to forecast. With company profit reports firming over the past six-months or so, there is some upside to tax revenue over the first half of the 2012/13 fiscal year, but with risks to the global outlook skewed towards weaker growth, there is a high probability of persistent weakness in nominal GDP. A key implication of this scenario, which was discussed in the Budget Economic and Fiscal Update, is relatively subdued tax revenue growth and larger fiscal deficits.

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

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New Zealand Key Economic Data

31 August 2012

Quarterly Indicators

		2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.0	0.6	0.4	0.4	0.4	1.1	...
	ann ave % chg	1.8	1.7	1.3	1.2	1.4	1.7	...
Real private consumption	qtr % chg[1]	-0.4	0.2	0.9	1.5	0.1	0.1	...
	ann ave % chg	2.3	1.6	0.8	1.0	1.5	2.0	...
Real public consumption	qtr % chg[1]	0.6	0.1	0.1	0.5	-0.7	0.5	...
	ann ave % chg	0.6	0.3	0.0	0.3	0.2	0.3	...
Real residential investment	qtr % chg[1]	-6.5	-2.2	-8.4	1.0	4.2	-0.5	...
	ann ave % chg	3.8	3.8	-4.9	-11.1	-11.7	-11.9	...
Real non-residential investment	qtr % chg[1]	4.8	1.4	-2.7	-0.7	0.7	2.1	...
	ann ave % chg	1.7	6.9	10.6	10.0	5.8	2.4	...
Export volumes	qtr % chg[1]	-0.5	1.5	-0.5	0.7	2.9	-1.7	...
	ann ave % chg	3.2	2.1	1.3	1.2	2.0	1.9	...
Import volumes	qtr % chg[1]	7.2	-2.8	2.0	2.8	-2.2	4.1	...
	ann ave % chg	10.6	11.1	11.0	10.3	6.4	6.0	...
Nominal GDP - expenditure basis	ann ave % chg	5.0	4.8	4.9	4.6	3.4	3.1	...
Real GDP per capita	ann ave % chg	0.6	0.5	0.2	0.1	0.4	0.8	...
Real Gross National Disposable Income	ann ave % chg	2.9	2.5	2.9	3.0	2.1	1.7	...
External Trade								
Current account balance (annual)	NZ$ millions	-6,787	-7,196	-7,396	-8,827	-8,338	-9,738	...
	% of GDP	-3.5	-3.7	-3.7	-4.4	-4.2	-4.8	...
Investment income balance (annual)	NZ$ millions	-9,538	-9,649	-9,501	-10,363	-10,405	-10,633	...
Merchandise terms of trade	qtr % chg	0.8	0.8	2.4	-0.6	-1.5	-2.3	...
	ann % chg	12.3	6.7	7.1	3.4	1.0	-2.1	...
Prices								
CPI inflation	qtr % chg	2.3	0.8	1.0	0.4	-0.3	0.5	0.3
	ann % chg	4.0	4.5	5.3	4.6	1.8	1.6	1.0
Tradable inflation	ann % chg	3.3	3.7	5.5	4.6	1.1	0.3	-1.1
Non-tradable inflation	ann % chg	4.6	5.2	5.2	4.5	2.5	2.5	2.4
GDP deflator	ann % chg	7.0	4.3	4.5	3.1	0.6	0.5	...
Consumption deflator	ann % chg	3.3	3.6	4.6	3.7	1.7	1.4	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	-0.2	1.1	0.2	0.1	0.2	0.4	-0.1
	ann % chg[1]	1.3	1.7	2.0	1.1	1.6	0.9	0.6
Unemployment rate	%[1]	6.7	6.6	6.5	6.6	6.4	6.7	6.8
Participation rate	%[1]	68.1	68.5	68.4	68.4	68.2	68.7	68.4
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.5	0.4	0.5	0.6	0.6	0.4	0.5
	ann % chg	1.7	1.8	1.9	2.0	2.0	2.0	2.0
QES average hourly earnings - total[5]	qtr % chg	0.5	0.4	1.1	1.2	0.1	1.4	0.1
	ann % chg	1.8	2.6	3.0	3.2	2.8	3.8	2.9
Labour productivity[6]	ann ave % chg	0.3	-0.3	-0.7	-0.8	-0.1	0.5	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	-0.3	1.5	0.9	2.6	2.2	-1.4	0.9
	ann % chg	0.3	1.4	1.9	4.5	7.3	4.3	4.3
Total retail sales volume	qtr % chg[1]	-0.6	1.5	0.8	2.4	1.7	-0.6	1.3
	ann % chg	-0.1	0.7	1.1	3.9	6.4	4.2	4.8
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	108	98	112	112	101	102	100
QSBO - general business situation[4]	net %	8.1	-26.8	26.6	24.6	0.1	13.0	-4.1
QSBO - own activity outlook[4]	net %	11.4	-1.6	18.4	30.0	9.9	16.9	8.1

Monthly Indicators

		2012M02	2012M03	2012M04	2012M05	2012M06	2012M07	2012M08
External Sector								
Merchandise trade - exports	mth % chg[1]	-12.0	8.1	-3.4	2.0	2.0	-1.5	...
	ann % chg[1]	-6.3	-8.9	-17.4	-4.1	5.6	8.0	...
Merchandise trade - imports	mth % chg[1]	-10.2	2.1	0.1	-1.6	12.9	-0.4	...
	ann % chg[1]	-7.3	-0.4	0.1	2.7	3.6	10.6	...
Merchandise trade balance (12 month total)	NZ$ million	663	267	-554	-851	-765	-853	...
Visitor arrivals	number[1]	203,370	210,610	213,310	211,260	216,210	208,870	...
Visitor departures	number[1]	214,770	209,050	219,070	207,610	221,780	218,750	...
Housing								
Dwelling consents - residential	mth % chg[1]	-6.4	19.0	-7.7	-7.1	5.9	2.0	...
	ann % chg[1]	23.7	43.4	32.7	20.5	28.3	26.3	...
House sales - dwellings	mth % chg[1]	7.5	-3.7	-7.5	14.1	-3.9	0.0	...
	ann % chg[1]	37.0	25.3	13.8	24.4	17.3	19.9	...
REINZ - house price index	mth % chg	0.8	1.9	-0.3	1.7	0.3	-0.7	...
	ann % chg	2.7	4.2	2.7	6.4	5.3	5.2	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	-0.7	0.4	1.0	0.9	0.2	-0.6	...
	ann % chg	8.2	5.6	1.2	6.1	5.5	1.1	...
New car registrations	mth % chg[1]	-1.9	-3.0	3.6	3.7	-0.7	-0.8	...
	ann % chg	2.3	-1.0	8.6	10.3	11.7	10.8	...
Migration								
Permanent & long-term arrivals	number[1]	7,230	7,430	6,410	7,030	7,770	6,640	...
Permanent & long-term departures	number[1]	7,590	7,300	7,250	6,910	7,250	7,300	...
Net PLT migration (12 month total)	number	-4,068	-3,383	-4,006	-3,653	-3,191	-3,799	...
Commodity Prices								
Brent oil price	US$/Barrel	119.43	125.38	120.08	110.24	95.29	102.79	*113.37*
WTI oil price	US$/Barrel	102.25	106.19	103.33	94.7	82.41	87.93	*94.00*
ANZ NZ commodity price index	mth % chg	-4.1	-0.2	-4.0	0.9	-3.4	-3.3	...
	ann % chg	-11.1	-17.9	-17.6	-15.7	-15.9	-15.2	...
ANZ world commodity price index	mth % chg	-0.1	-1.7	-4.5	-4.4	-2.4	-0.5	...
	ann % chg	-2.9	-8.9	-13.9	-17.5	-18.7	-18.6	...
Financial Markets								
NZD/USD	$[2]	0.8343	0.8208	0.819	0.7762	0.7801	0.7982	*0.8104*
NZD/AUD	$[2]	0.778	0.7779	0.7908	0.7766	0.7813	0.7757	*0.7732*
Trade weighted index (TWI)	June 1979 = 100[2]	73.36	73.00	73.00	70.04	70.86	72.31	*72.89*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.75	2.74	2.74	2.59	2.61	2.67	*2.64*
10 year govt bond rate	%[2]	3.99	4.17	3.98	3.66	3.41	3.40	*3.67*
Confidence Indicators/Surveys								
National Bank - business confidence	net %	28	33.8	35.8	27.1	12.6	15.1	19.5
National Bank - activity outlook	net %	31.2	38.8	36.1	34.9	20.8	24.0	26.4
ANZ-Roy Morgan - consumer confidence	net %	113.3	110.2	114.0	113.9	105.8	110.5	114.1

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