Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

September 2012

Executive Summary

- **The economy grew at a reasonable pace in Q2, rounding off a solid start to 2012.**
- **The Canterbury rebuild is gathering pace...**
- **...but GDP growth unlikely to maintain the same pace in the second half of the year.**
- **As expected, the annual current account deficit widened in Q2.**

The New Zealand economy grew by 0.6% in the June quarter of 2012, in line with the Budget forecast and continuing on from the (revised) 1.0% increase seen in the March quarter. The largest contributions to growth on the production side came from the agricultural and construction industries, reflecting bumper milk production on the back of good growing conditions and an expected pick-up in residential construction activity.

A combination of factors should continue to support growth in the near term. The Canterbury rebuild is gathering pace, prices for our commodity exports appear to have reached a floor, and increased housing market activity should support consumer spending on big-ticket items too. However, the outlook is not without its headwinds and risks, with parts of the economy looking to have lost some momentum over recent months, the risks for agricultural production mainly on the downside, and ongoing concerns over the international economy. All told, the risks to our Budget forecast of 0.6% quarterly GDP growth in the September quarter lie on the downside.

The annual current account deficit widened to 4.9% of GDP in the June quarter, up from a downwardly-revised 4.5% of GDP in the year to the March quarter. This movement was driven by a narrowing in the annual goods surplus, reflecting lower prices for our commodity exports, as well as a widening in the investment income deficit on the back of higher profits earned by foreign-owned firms in New Zealand – predominantly banks.

Global developments during September were dominated by the ECB's announcement of "Outright Monetary Transactions" and the Fed's unveiling of its latest round of quantitative easing – dubbed "QE3". With short-term contagion risks receding, bond yields for "troubled" European countries have fallen. But with growth in Europe proving elusive, and further fiscal consolidation required across the board, financial market sentiment could change very quickly.

This month's special topic reports back from Treasury's recent round of business talks conducted with a cross-section of firms around New Zealand during September. The overall message was broadly consistent with the Budget Economic and Fiscal Update (BEFU) forecasts for 2012 to date and in keeping with the solid performance of the economy seen over the first half of the year.

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Analysis

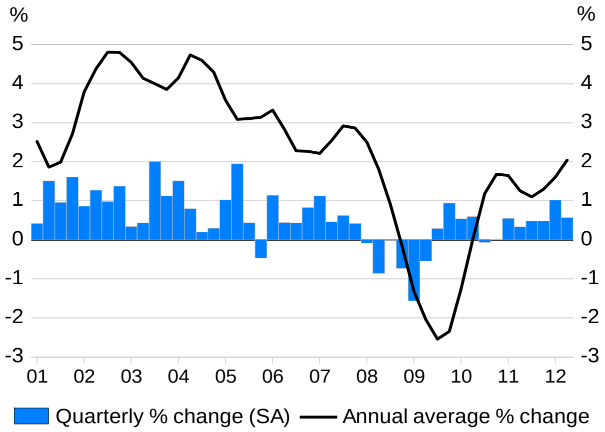
Following the solid first half of the year, a combination of factors should continue to support growth in the near term. The Canterbury rebuild is gathering pace, prices for our commodity exports appear to have reached a floor, and increased housing market activity should support consumer spending on big-ticket items too. However, the outlook is not without its headwinds and risks, with parts of the economy looking to have lost some momentum over recent months, the risks for agricultural production mainly on the downside, and ongoing concerns over the international economy. All told, the risks to our Budget forecast of 0.6% quarterly GDP growth in the September quarter lie on the downside.

Economy rounds off solid first half of year…

The New Zealand economy grew by 0.6% in the June quarter of 2012, in line with the Budget forecast and continuing on from the (revised) 1.0% increase seen in the March quarter.

The largest contributions to quarterly growth on the production side came from agriculture and construction. Agricultural output increased by 4.7% in the quarter, helped by good growing conditions boosting milk output. The 3.3% increase in construction reflected a pick-up in both heavy and civil construction and residential construction as earthquake repairs and rebuilding got underway in Canterbury. (See Figure 1.)

Figure 1 – Real GDP (Production)



Source: Statistics NZ

Rebuild-related activity also showed up clearly on the expenditure side of the national accounts, with investment the main driver behind the 0.3% quarterly gain in real expenditure GDP. Residential investment increased 5.7%, up from 0.9% in the March quarter – in keeping with the Canterbury and Auckland-led quarterly increase seen in the June quarter *Building Work Put in Place* data released earlier in the month. The growth in residential investment outpaced the 2.8% gain in overall business investment but lagged behind strong growth in investment in plant and machinery (12.8%) and other construction (which includes heavy and civil building activity, up 20.7%). The external sector also made a positive net contribution to growth, with a 2.9% decline in import volumes outweighing a 1.2% drop in exports. By contrast, quarterly growth in private consumption was weaker than expected at 0.2%, driven by purchases of durable goods. Non-durables and services consumption remained flat at March quarter levels.

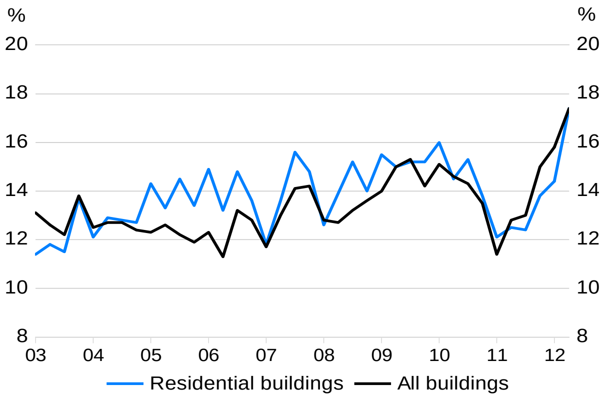
Nominal GDP rose by 1.8% in the June quarter, although growth in the nominal economy in the year to June was weaker than our Budget forecast (3.5% compared to 3.8%). That said, tax revenue for the year to May came in slightly above our Budget forecast, mainly because of higher corporate tax. (The Government's Financial Statements for the year ended 30 June 2012 will be released on 10 October.)

Canterbury rebuild picking up pace...

The big question is where does the economy go from here? A combination of factors should continue to support growth in the near term.

Most notably, and as was evident in the June quarter GDP data, the Canterbury rebuild is gathering pace. The increase in total construction work over the past year has been driven predominantly by activity in Canterbury. Building work in the region rose to over 17% of the nationwide total in the June quarter, up from around 12.5% across 2011. (See Figure 2.)

Figure 2 – Building work in Canterbury (% of national total)



Sources: Statistics NZ, Treasury

The steady rise in the value of earthquake-related building consents reported in July's data indicates that activity continued to ramp up during Q3 too. The $59 million of activity consented in July was the highest monthly total issuance since the earthquakes began in September 2010, helped by the slight thawing in insurance market conditions for new buildings seen over recent months. If anything, given the difficulty in definitively identifying earthquake-related consents, and the fact that not all reconstruction work will require consenting, this issuance data may under-state things.

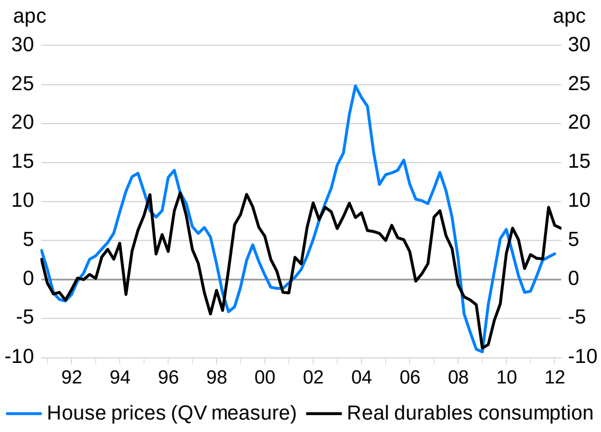
…as commodity prices find a floor

Signs that prices for our commodity exports may have found a floor after a year of declines offer another potential boost to the economy in the near term. Admittedly, prices remain some way below their peaks reached last year, and the recent gains in the New Zealand dollar have taken the edge off in NZ$ terms. Nonetheless, the Global Dairy Trade index of dairy prices has climbed by over 20% over the past four fortnightly auctions, reflecting at least in part, concerns around the impact of the US drought on the supply of grains. Prices are now at their highest level since mid-February. Beyond the anticipated short-term drought-induced rise in global 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. Global trends take some time to be reflected in our export receipts, but if sustained these factors should show up towards the end of 2012/start of 2013.

…and housing market quickens

Finally, signs of increased activity and tightening supply in the housing market are expected to lend further support to consumer spending on durables in the near term. (See Figure 3.)

Figure 3 – House prices and durables spending



Sources: Statistics NZ, QV, Treasury

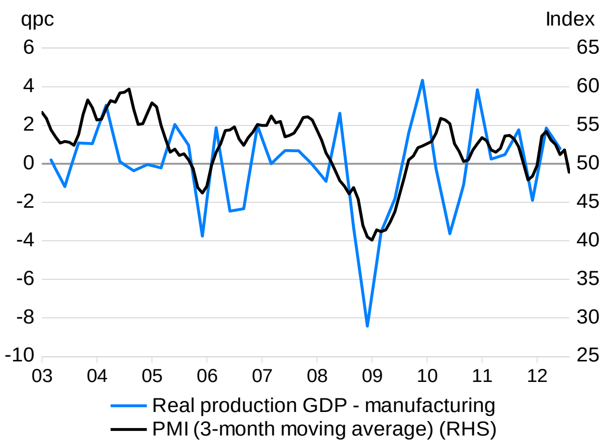
Such spending is likely to be concentrated in those areas seeing the strongest housing activity – notably Auckland and Christchurch. This fits in with the findings of Treasury's latest round of business talks conducted over a week in September, with firms reporting stronger conditions in Auckland and Canterbury than the rest of the country. (See this month's *Special Topic* for a full overview of Treasury's talks.) Nonetheless, at the aggregate level, this will provide a fillip to growth.

Surveys paint a weaker picture for Q3...

However, while the conditions are in place for the economy to continue expanding at a respectable pace in the near term, the outlook is not without its headwinds. The most immediate concern is signs that some sectors – namely manufacturing and services – lost some degree of momentum in the September quarter. Consistent with this picture, the National Bank's survey measure of general business confidence eased back slightly in the September quarter as a whole from the previous period.

Admittedly, the Performance of Manufacturing (PMI) and Performance of Services (PSI) surveys are highly volatile, and do not move in lock-step with official measures of activity. Nonetheless, the pattern of sharp falls seen in both indicators over the past four months is hard to dismiss. Following the latest decline in August, the seasonally-adjusted PSI has now fallen for four consecutive months – the first time it has done so on record – and is now theoretically consistent with stagnant services output. The performance of the PMI has been equally disappointing. The latest fall in August points to a contraction in manufacturing activity in the September quarter. (See Figure 4.)

Figure 4 – Manufacturing GDP and PMI



Sources: Statistics NZ, BNZ-Business NZ

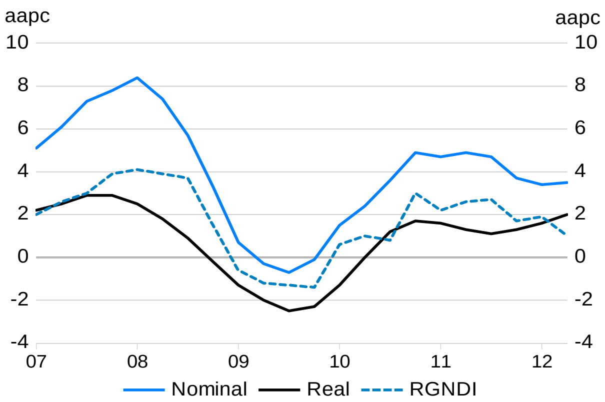
...with the labour market still soft...

The slumps in the employment subcomponents of the PMI and PSI – back to levels last seen in mid-2009 at the height of the global financial crisis – underline the ongoing softness of the labour market recovery too (see last month's *MEI* for a detailed discussion of recent developments in the job market). It is difficult to assess whether these falls reflect a fundamental drop-off in firms' demand for labour, or instead are a symptom of increased mismatch in the labour market making it difficult for firms to find workers with the skills they need. Either way, with the recovery in the labour market lagging behind previous recoveries, unemployment is likely to remain elevated for some time to come.

...and previous falls in the terms of trade impacting on income

Meanwhile, the recent slowdown in annual real gross national disposable income (RGNDI) growth illustrates how the falls in the terms of trade over the past year have impacted on national income.[1] RGNDI for the year ended June 2012 grew at a slower pace than real GDP for only the second time since mid-2007. (See Figure 5.) These developments are similar to the current situation in Australia (albeit less extreme), and go some way to explaining why consumer confidence remains relatively subdued. While the medium-term outlook for New Zealand's terms of trade is relatively bright, the loss of momentum indicated by RGNDI points to a period of subdued underlying consumption growth in the short term.

Figure 5 – Official measures of GDP



Sources: Statistics NZ, Treasury

Pressure on dairy to maintain high output too

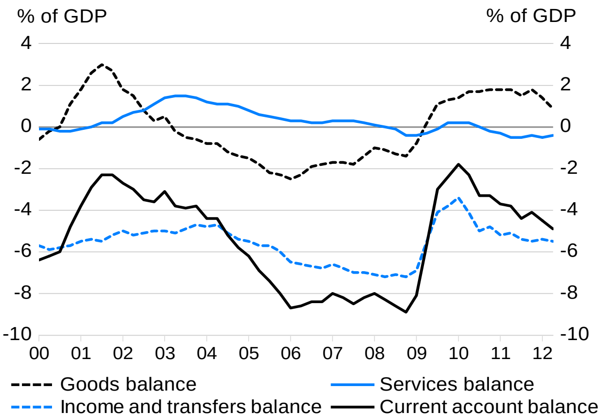
More generally, following last season's bumper growing conditions, output in the agricultural sector has given itself a tough act to follow. On a positive note, the season has got off to a good start. Production of milk solids in July was over 22% higher than the same month last year, and climatic indicators are consistent with decent rainfall conditions across the country. The number of dairy cows is forecast to increase once again this season, in part reflecting a higher proportion of cows carried over from the previous period than usual, and in part ongoing conversions of other agricultural land to dairy farms. However, the pressure will be on output to maintain these high levels throughout the entire season to keep annual growth in positive territory.

All told, while the pace of quarterly GDP growth in the second half of 2012 is set to remain reasonably robust compared with other OECD economies, we expect it to slow from the rates seen this year to date. Accordingly, the risks to our Budget forecast of 0.6% quarterly growth in the September quarter lie on the downside.

Current account deficit widens...

As expected, the current account deficit widened in the year to June 2012, rising to 4.9% of GDP from a downwardly-revised 4.5% of GDP in the year to March and 3.8% of GDP in the year to June 2011. (See Figure 6.)

Figure 6 – Annual current account breakdown



Sources: Statistics NZ, Treasury

In nominal terms, the annual deficit widened to $10.1 billion in the June year – its highest level in three years – and up from $9.0 billion in the year to March. This movement was driven by a narrowing in the annual goods surplus and a widening in the investment income deficit. The annual goods surplus fell to $2.0 billion in June, down from $2.7 billion in the March year. This partly reflects falling commodity prices during the period. The latest monthly trade data point to a further narrowing in the annual goods surplus in the September quarter.

[1] Real gross national disposable income is a measure of the real purchasing power of national income. It essentially can be regarded as a terms of trade-adjusted GDP series.

The widening in the annual investment income deficit was almost entirely driven by higher profits earned by foreign-owned firms – predominantly banks – in New Zealand. At $10.9 billion, the annual investment income deficit was the largest it has been in over three years, and is expected to widen gradually as the economy continues to recover.

A slight narrowing in the annual services deficit to $0.8 billion from $0.9 billion provided some offset. This largely reflected an increase in services exports – boosted by film production services relating to *The Hobbit* and overseas-visitor spending from the Rugby World Cup. The annual transfers balance remained flat at $0.3 billion.

...and reinsurance estimates revised up

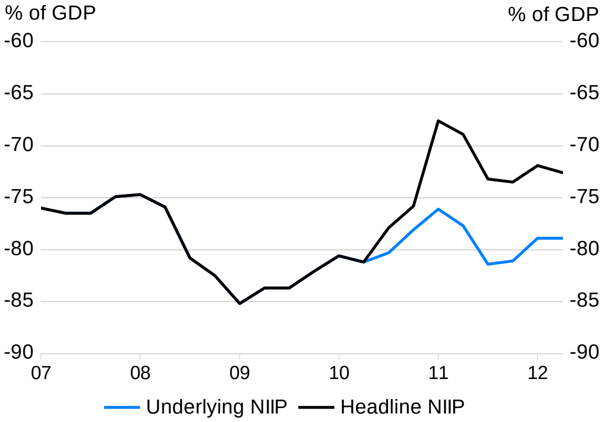
The impetus from the Canterbury rebuild that was evident in the GDP data also showed up in the Balance of Payments release. There were $1.3 billion of earthquake-related reinsurance settlements in the June quarter – the highest quarterly total to date. Total reinsurance claims were revised up by $2.2 billion from previous estimates to $17.9 billion. This leaves $12.8 billion of claims outstanding at the end of June (around 70% of the revised total).

This stock of outstanding reinsurance claims is currently counted in New Zealand's international investment asset position.[2] This in turn has a knock-on impact on the net international investment liability position, which increased to 72.6% of GDP at the end of June. The 'underlying' net liability position, which excludes reinsurance assets, is higher at 78.6% of GDP. (See Figure 7.)

The divergence between the underlying and headline net international investment positions (NIIP) will vanish as and when the outstanding reinsurance claims are settled. However, the overall impact that this has on the NIIP depends on how the recipients of the settlement payments put these funds to use. Under one extreme scenario, if, say, all of the remaining reinsurance payments were used by New Zealanders to acquire other international assets, the headline NIIP figure (72.6% of GDP) would be a true indication of the situation after all the settlements have been cleared. However, if the reinsurance funds are used to fund rebuilding activity, and result in higher imports and capital inflows in the coming years, a true indication of the situation after all the settlements have been cleared may in fact be worse than the underlying NIIP figure of 78.6% of GDP.

In any case, ongoing monitoring of total reinsurance claims, settlements, and the difference between the headline and underlying NIIP positions may provide a useful check on progress on spending in Canterbury.

Figure 7 – Net International Investment Position



Sources: Statistics NZ, Treasury

Risks to global economy ease…

The downside risks for the economies of our major trading partners eased in September, with some progress towards a resolution of the euro crisis. However, the "fiscal cliff" looming in the US and the prospect of a more significant slowdown in emerging Asia are still key risks going forward.

…as several key decisions were made…

European leaders took several key steps to resolve the debt crisis in September. The first was the European Central Bank (ECB) announcement, with ECB President Mario Draghi following through on previous statements, announcing Outright Monetary Transactions (OMT), a replacement for the dormant Securities Markets Programme. If a country applies under the policy, the ECB would purchase potentially unlimited quantities of short-term (1-3 years) government bonds on the secondary market in order to assist the functioning of monetary policy and to remove large distortions in government bond markets. The catch is that for the ECB to undertake any bond purchases, the country in question must apply to the EFSF or ESM for loans, and follow the

[2] Specifically, the stock of domestic reinsurance claims on foreign-insurers is counted as an asset under the *Trade Credit* section of New Zealand's international financial assets. These assets are booked according to the quarter in which the earthquake event occurred, and are reduced as and when the corresponding claims are settled. Note that following changes by Statistics New Zealand in June 2011 to the way in which Canterbury-related insurance *flows* are handled, the inflows of reinsurance settlement payments now show up as a reduction of an asset in the financial account of the balance of payments, rather than coming through the current account.

reforms and austerity requirements put upon them. Spain would be the most likely first applicant for OMT assistance, but is yet to apply for a full programme. While Spain's bond yields fell after the announcement, there are signs that this may not last if it does not officially apply for a programme. Spain faces a number of other challenges in the near term, such as the 2013 budget, new structural reforms and regional elections.

In a second key development, the US Federal Reserve announced a third round of quantitative easing (QE3), as was widely anticipated. Federal Reserve Chairman Ben Bernanke announced a programme involving US $40 billion per month of purchases of mortgage-backed securities (MBS) (as opposed to the purchase of US government debt in the past). There was no defined time period, with the suggestion that it will continue until the labour market makes significant improvement. It has kept its other programmes in place (Operation Twist and reinvesting repayments of existing debt); it also extended its guidance on low interest rates from end-2014 to mid-2015.

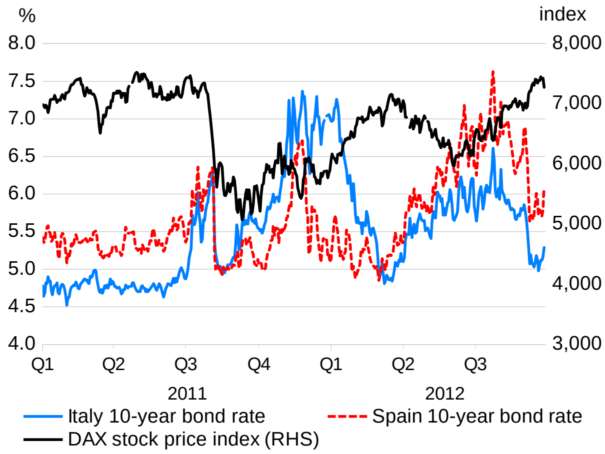
In addition, the German Constitutional Court ruled that the ESM was legal (with some conditions), and pro-euro parties gained a majority in the Dutch election. The Bank of Japan also expanded its asset purchase programme by ¥10t to ¥55t, totalling around 10% of GDP. The Bank of England is expected to expand its asset purchase programme by the end of the year. The European Commission presented its proposal for common bank supervision in the euro area, which would allow funds to be disbursed directly to commercial banks, rather than via sovereign balance sheets. There was some opposition to the proposal, and it looks as if the banking supervision will not be in place until sometime in 2013, later than planned.

While most of these events were positive for the global economy, they did not fully resolve the euro crisis. The fact that these policies are needed means the global economy is not in a strong position. Greece is still a concern, with reported ongoing difficulties in finding further budget cuts to meet fiscal targets; the troika (ECB, EU and IMF) assessment on the country is due in October, but may be postponed until November. Early reports indicate that the funding gap may be larger than previously thought at around €30b, as macro conditions have been worse than expected and privatisation plans have been delayed.

…helping to drive market sentiment

Market sentiment continued its positive run during most of September as policymakers took expected action. Global equities continued to rise, with the S&P 500 reaching its highest level since 2007. The DAX reached its highest level of 2012, but is still just below highs seen in 2011. (See Figure 8.) Peripheral bond yields declined significantly following the ECB announcement, with Spain's 10-year yield falling below 6.0% for the first time since May this year. There was some easing of sentiment towards the end of the month, with Spain yet to formally request a funding programme and the realisation that the economic outlook is still subdued. This contributed to the Spanish 10-year yield edging back over 6.0%. Global commodity prices finished the month broadly unchanged.

Figure 8 – Italian and Spanish bond yields & DAX



Source: Haver

US indicators illustrative of patchy recovery…

The US recovery remains patchy, with some sectors starting to pick up, while others are beginning to struggle. The housing market is becoming more positive, with house prices continuing their rise in July and home sales increasing. Consumer spending has started to pick up, albeit with higher petrol prices contributing to higher values. On the other hand, the manufacturing sector has continued to lose momentum; industrial production fell 1.2% in August and indicators point to tough times ahead. The labour market is still relatively soft, with non-farm payrolls rising a disappointing 96,000 in August and downward revisions to previous months. With the political gridlock ahead of the November election and the upcoming fiscal cliff, it is hoped that QE3 will provide some offset, although analysts remain sceptical as to how much stimulus it can provide.

…while Australia grows solidly in June quarter…

June quarter GDP for Australia grew a solid 0.6%, slightly below market expectations. However, owing to an upwards revision to the March quarter to a very high 1.4%, the annual increase of 3.7% was in line with expectations. Growth was driven primarily by net exports, household consumption and government expenditure. Investment was broadly flat, but still grew strongly on an annual basis. While real growth was decidedly robust over the first half of 2012, the rate of growth should ease over the second half. This will come as a result of an easing terms of trade (down 7.1% over the last year) and softening consumption growth.

The outlook for the mining sector has softened somewhat as hard commodity prices have fallen (in particular iron ore) and confidence in the sector has dropped. Having said this, there are still substantial investment plans locked in for the rest of 2012 and 2013, which will continue to provide an impetus for growth. Beyond this the growth outlook becomes less certain, but a decline in investment growth will be at least partially offset by increased exports as more mines and gas fields come online. Should the terms of trade fall more than expected (for example, as the result of a hard landing in China), the exchange rate would depreciate, helping to rebalance the economy and cushion the shock. There would also be room for policy to react if necessary; the RBA has additional room to cut interest rates and fiscal stimulus could be an option as government debt is relatively low.

…but risks remain from China

The primary risk for the Australian economy still emanates from China, where indicators remained subdued in August. Industrial production annual growth eased to 8.9% (9.2% previously), but retail sales and fixed asset investment were steady at 13.2% and 20.2% growth respectively. Export growth in the year to August was only 2.7%, with falls to most major markets; imports fell 2.6% as destocking continued. Annual growth is now expected to trough in the September quarter, before picking up again into 2013 as monetary easing takes effect and growth improves in Europe and the US.

Special Topic: September 2012 Business Talks

Over the course of a week in the middle of September, Treasury officials met with around 40 businesses, accounting firms and trading bank economists in Auckland, Wellington and Christchurch. We were looking for their summaries of the state of their and/or their clients' businesses and their opinion of the state of the New Zealand economy. The information gathered will be used to inform the Treasury's up-coming Half Year Economic and Fiscal Update.

Sentiment is improving…

Compared to the previous round of talks conducted in March 2012, businesses were slightly more positive. Auckland is buoyant, led by a surge in the housing market and things are starting to pick up in Canterbury as the earthquake rebuilding effort gathers momentum. Wellington was perhaps a little more subdued, possibly owing to a comparatively quiet public sector.

The residential housing market in Auckland is 'booming'. Sales and prices are well up on last year across all price ranges as a result of high demand and little supply. Land for residential development is available on the outskirts of Auckland, but demand so far away from the city centre is negligible. The Auckland market is expected to continue its strength, as there is little potential for a supply response.

Allied to this, the construction sector is quiet. Residential construction in Auckland is weak, with consents around 1960s levels. House building in Christchurch is also weak, with the main focus of the rebuild so far having been on demolition and repair. Firms were optimistic regarding the prospects for construction with housing reconstruction expected to get underway in Christchurch next year and the CBD rebuild shortly thereafter.

Retail was the sector most commonly described as 'struggling'. Year-to-March results were good, helped by the Rugby World Cup and replacement of goods after the Canterbury earthquakes. Since then, business has been softer, with sales flat-to-declining.

There was some discussion of the effect that the high NZD is having on exporters. Some firms commented that a high NZD does not really affect exporters' profits as the exchange rate moves with commodity prices. Some exporters try to mitigate the effects of the high dollar through a mixture of currency hedging and natural hedges, e.g. sourcing inputs via importing. Furthermore, it is likely that the Treasury's sample of exporting businesses is somewhat biased, as the exporters visited are those that have survived and have learned to live with a high NZD. Officials received some reports of the high NZD adversely affecting exports to the UK, Europe and the US. There are fears that an economic slowdown in Australia could adversely affect exports into that market, despite the NZD/AUD cross-rate being below its long-run average.

The farming sector is something of a mixed bag. Dairy is still going well with strong global demand for protein and a drought in the US constraining international supply. Dairy production this year is expected to be at a similar level to last year's high level, aided by supplementary feeding and other productivity enhancements. Global demand for beef is still high and increasing; the outlook for lamb is not quite so positive.

… as firms keep costs under control…

One common theme of these business talks was that firms are trying to cut costs in an effort to maintain or increase profits. This is not easy as just about all input costs have increased, e.g. gas, electricity, insurance, local authority rates, fuel, construction costs and wages. Insurance costs were particularly mentioned as having had large increases, with reports of 100% increases not uncommon.

Firms are employing a variety of strategies to keep their costs down, including:

- reducing rents, particularly some retailers negotiating reductions with landlords;
- importing, i.e. reducing costs by sourcing inputs from overseas rather than locally;
- making better use of technology to reduce administration costs;
- better use of staff rostering to reduce employment costs; and
- reducing total staff numbers.

Recent wage increases have generally been in the low single-digit percentages, i.e. around about the rate of CPI inflation. Plans for wage increases over the next year are also in the low single digits, mainly clustered around 2-3%. Some contacts believed that the earthquake rebuild is unlikely to put excessive pressure on wages as there is a large pool of workers to draw on, especially if the rebuild attracts workers from overseas. Others took the opposite view, noting that they had already seen rebuild-related wage pressure coming on.

On balance, employment was probably 'flat'. There were reports of hiring in IT and logistics/ transport firms, and reports of lay-offs in publishing and retail, although there may be some re-hiring to come in retail with some national chains planning to expand their networks. The majority of businesses said that they were maintaining employment at current levels. Employers will look to exploit existing capacity in their workforce before they recommence recruitment.

… leading to increased profits

As a result of managing their costs, most businesses reported increased profits. Some said that profits were flat or down, but others said that they achieved record profits last year. The accounting contacts believed that aggregate profitability across their client bases was consistent with the 10% annual growth seen in company tax recently (see www.treasury.govt.nz/government/revenue/taxoutturn).

What does this mean for the Treasury's 2012 forecasts?

Overall, the tenor of these talks was consistent with the Budget Economic and Fiscal Update (BEFU) forecasts for 2012 to date, perhaps a little more positive than expected. This is broadly in keeping with the solid performance of the economy over the first half of the year.

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

28 September 2012

Quarterly Indicators

		2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.6	0.3	0.5	0.5	1.0	0.6	...
	ann ave % chg	1.6	1.3	1.1	1.3	1.6	2.0	...
Real private consumption	qtr % chg[1]	0.3	0.7	1.4	0.4	0.1	0.2	...
	ann ave % chg	1.5	0.8	0.9	1.4	2.0	2.4	...
Real public consumption	qtr % chg[1]	0.4	-0.2	1.1	-0.6	-0.3	0.8	...
	ann ave % chg	0.3	0.1	0.5	0.5	0.5	0.7	...
Real residential investment	qtr % chg[1]	-1.2	-9.5	1.3	4.1	0.9	5.7	...
	ann ave % chg	3.8	-4.9	-11.1	-11.7	-11.8	-3.8	...
Real non-residential investment	qtr % chg[1]	1.6	-2.6	-1.1	0.7	2.0	2.8	...
	ann ave % chg	6.9	10.6	10.0	5.7	2.2	1.1	...
Export volumes	qtr % chg[1]	1.6	-0.2	0.6	3.7	-2.2	-1.2	...
	ann ave % chg	2.8	2.1	1.8	2.7	2.6	2.5	...
Import volumes	qtr % chg[1]	-2.9	2.9	2.0	-2.1	3.8	-3.0	...
	ann ave % chg	11.6	11.5	10.7	6.7	6.2	4.0	...
Nominal GDP - expenditure basis	ann ave % chg	4.7	4.9	4.7	3.7	3.4	3.5	...
Real GDP per capita	ann ave % chg	0.4	0.1	0.0	0.3	0.7	1.2	...
Real Gross National Disposable Income	ann ave % chg	2.2	2.6	2.7	1.7	1.9	1.0	...
External Trade								
Current account balance (annual)	NZ$ millions	-7,176	-7,422	-8,826	-8,268	-9,033	-10,087	...
	% of GDP	-3.7	-3.8	-4.4	-4.1	-4.5	-4.9	...
Investment income balance (annual)	NZ$ millions	-9,812	-9,672	-10,507	-10,656	-10,340	-10,793	...
Merchandise terms of trade	qtr % chg	0.8	2.4	-0.6	-1.5	-2.3	-2.6	...
	ann % chg	6.7	7.1	3.4	1.0	-2.1	-6.8	...
Prices								
CPI inflation	qtr % chg	0.8	1.0	0.4	-0.3	0.5	0.3	...
	ann % chg	4.5	5.3	4.6	1.8	1.6	1.0	...
Tradable inflation	ann % chg	3.7	5.5	4.6	1.1	0.3	-1.1	...
Non-tradable inflation	ann % chg	5.2	5.2	4.5	2.5	2.5	2.4	...
GDP deflator	ann % chg	4.3	4.5	3.2	0.8	1.0	2.3	...
Consumption deflator	ann % chg	3.6	4.6	3.7	1.7	1.5	1.1	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	1.1	0.2	0.1	0.2	0.4	-0.1	...
	ann % chg[1]	1.7	2.0	1.1	1.6	0.9	0.6	...
Unemployment rate	%[1]	6.6	6.5	6.6	6.4	6.7	6.8	...
Participation rate	%[1]	68.5	68.4	68.4	68.2	68.7	68.4	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.5	0.6	0.6	0.4	0.5	...
	ann % chg	1.8	1.9	2.0	2.0	2.0	2.0	...
QES average hourly earnings - total[5]	qtr % chg	0.4	1.1	1.2	0.1	1.4	0.1	...
	ann % chg	2.6	3.0	3.2	2.8	3.8	2.9	...
Labour productivity[6]	ann ave % chg	-0.4	-0.8	-0.8	-0.1	0.4	1.3	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	1.5	0.9	2.6	2.2	-1.4	0.9	...
	ann % chg	1.4	1.9	4.5	7.3	4.3	4.3	...
Total retail sales volume	qtr % chg[1]	1.5	0.8	2.4	1.7	-0.6	1.3	...
	ann % chg	0.7	1.1	3.9	6.4	4.2	4.8	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	98	112	112	101	102	100	103
QSBO - general business situation[4]	net %	-26.8	26.6	24.6	0.1	13.0	-4.1	...
QSBO - own activity outlook[4]	net %	-1.6	18.4	30.0	9.9	16.9	8.1	...

Monthly Indicators

		2012M03	2012M04	2012M05	2012M06	2012M07	2012M08	2012M09
External Sector								
Merchandise trade - exports	mth % chg[1]	8.0	-3.6	1.9	1.9	-2.2	-1.3	...
	ann % chg[1]	-8.9	-17.4	-4.1	5.7	9.1	-3.4	...
Merchandise trade - imports	mth % chg[1]	1.9	-0.2	-1.6	12.7	0.3	-8.0	...
	ann % chg[1]	-0.4	0.1	2.7	3.6	9.5	-0.4	...
Merchandise trade balance (12 month total)	NZ$ million	267	-554	-850	-762	-768	-866	...
Visitor arrivals	number[1]	210,720	213,450	211,320	216,630	209,570	220,910	...
Visitor departures	number[1]	209,090	219,070	207,760	221,490	218,300	215,870	...
Housing								
Dwelling consents - residential	mth % chg[1]	19.0	-7.7	-7.1	5.9	2.0	...	...
	ann % chg[1]	43.4	32.7	20.5	28.3	26.3	...	...
House sales - dwellings	mth % chg[1]	-3.6	-8.2	15.3	-3.7	0.2	1.3	...
	ann % chg[1]	25.3	13.8	24.4	17.3	19.9	16.2	...
REINZ - house price index	mth % chg	1.9	-0.3	1.7	0.3	-0.7	1.3	...
	ann % chg	4.2	2.7	6.4	5.3	5.2	6.1	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.3	1.0	1.0	0.4	-1.1	3.0	...
	ann % chg	5.6	1.2	6.1	5.5	1.1	7.1	...
New car registrations	mth % chg[1]	-3.0	3.6	3.7	-0.7	-0.9	-0.1	...
	ann % chg	-1.0	8.6	10.3	11.7	10.8	0.8	...
Migration								
Permanent & long-term arrivals	number[1]	7,430	6,420	7,020	7,780	6,670	6,810	...
Permanent & long-term departures	number[1]	7,290	7,240	6,910	7,260	7,310	7,140	...
Net PLT migration (12 month total)	number	-3,383	-4,006	-3,653	-3,191	-3,799	-4,118	...
Commodity Prices								
Brent oil price	US$/Barrel	125.38	120.08	110.24	95.29	102.79	113.36	*113.06*
WTI oil price	US$/Barrel	106.19	103.33	94.7	82.41	87.93	94.16	*95.03*
ANZ NZ commodity price index	mth % chg	-0.2	-4.0	0.7	-3.4	-2.9	-0.8	...
	ann % chg	-17.9	-17.6	-15.9	-16.1	-15.1	-14.4	...
ANZ world commodity price index	mth % chg	-1.7	-4.5	-4.4	-2.4	-0.5	0.6	...
	ann % chg	-8.9	-13.9	-17.5	-18.7	-18.6	-15.8	...
Financial Markets								
NZD/USD	$[2]	0.8208	0.819	0.7762	0.7801	0.7982	0.8098	*0.8163*
NZD/AUD	$[2]	0.7779	0.7908	0.7766	0.7813	0.7757	0.7733	*0.7857*
Trade weighted index (TWI)	June 1979 = 100[2]	73.00	73.00	70.04	70.86	72.31	72.85	*72.72*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.74	2.74	2.59	2.61	2.67	2.64	*2.64*
10 year govt bond rate	%[2]	4.17	3.98	3.66	3.41	3.40	3.66	*3.59*
Confidence Indicators/Surveys								
National Bank - business confidence	net %	33.8	35.8	27.1	12.6	15.1	19.5	17.0
National Bank - activity outlook	net %	38.8	36.1	34.9	20.8	24.0	26.4	29.3
ANZ-Roy Morgan - consumer confidence	net %	110.2	114.0	113.9	105.8	110.5	114.1	111.9

qtr % chg	quarterly percent change	1	Seasonally adjusted
mth % chg	monthly percent change	2	Average (11am)
ann % chg	annual percent change	3	Westpac McDermott Miller
ann ave % chg	annual average percent change	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