Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

October 2012

Executive Summary

- **The pace of growth is expected to slow in the second half of 2012, following a solid start to the year...**
- **...adding downside risk to Budget 2012 quarterly forecasts...**
- **...but medium-term outlook still positive, driven by Canterbury rebuild and terms of trade**
- **The global picture remains soft, with risks skewed to the downside**

After a solid start to 2012, real GDP growth is likely to have slowed in the second half of the year, with a number of indicators softening. Both business and consumer confidence have eased in recent months, with activity indicators also weakening. It is difficult to pinpoint a single reason for the decline in sentiment and it is likely to be a result of a combination of factors, including ongoing concerns around the global situation, the elevated New Zealand Dollar (NZD), and uncertainty around the timing of the Canterbury rebuild.

Pricing pressures were soft in the September quarter, with annual headline inflation falling below 1.0% for the first time since 1999. Tradables prices were the primary driver of the low outturn, falling 1.2% annually, with the high NZD and declining commodity prices over the last year behind this. Non-tradables prices were 2.3% higher annually, with insurance costs, a hike in the tobacco tax, electricity prices and local-authority rates the main drivers of the increase. Inflationary pressures are expected to pick up over the next few years as the NZD depreciates, unemployment falls and spare capacity is absorbed. The Canterbury rebuild may also add some pricing pressures, as supply becomes more of a constraint.

The global outlook remained broadly stable during October, with little progress made in the resolution of the euro crisis. Divergences in growth rates between countries became increasingly apparent, with strong growth in Australia, moderate growth in the both the US and New Zealand, but poor growth in much of Europe. While extreme downside risks are now much less likely, overall risks remain skewed to the downside.

This month's special topic examines the outlook for the global economy, focussing on the recent International Monetary Fund's (IMF) World Economic Outlook (WEO). The IMF acknowledges a slowing in global growth and notes the large downside risks remaining around the euro area and the fiscal cliff in the United States.

New Zealand Government

ISSN-1175-6780 – Text finalised 1 November 2012

Analysis

After a solid start to 2012, growth looks to have eased in the September quarter, with a number of indicators softening. Risks are to the downside in the near term from the Budget forecast of 0.6% quarterly GDP growth for September and 1.0% for December, with ongoing concerns over the international economy contributing to weaker business and consumer confidence.

Growth slowing in the second half of 2012…

The pace of GDP growth is likely to have slowed in the September quarter, following a solid start to the year. The strength of the economy in the first half surprised us to some extent, with the broad-based growth across most sectors at one time unusual. Tax outturns in the 2011/12 year came in slightly above Budget expectations, supporting the stronger growth story. Financial Statements of the Government for the three months ended 30 September 2012 will be released on 7 November.

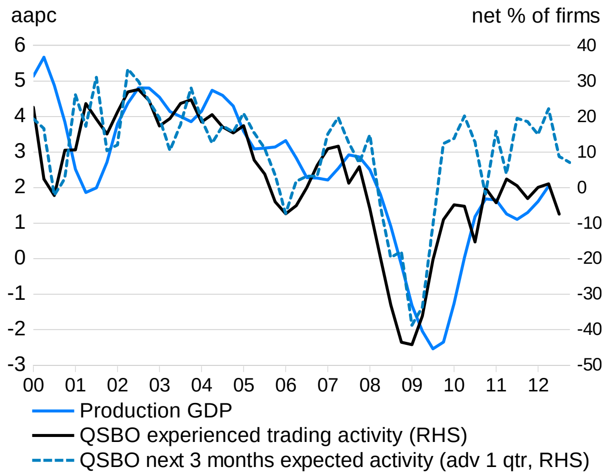
Headline production GDP – the preferred measure of growth – averaged a solid 0.8% growth per quarter in the first half of 2012. However, the picture is clouded somewhat by the softer expenditure measure, which averaged just 0.3%. This makes it more difficult to assess the true strength of the New Zealand economy.

A number of indicators released during October point to an easing in both business and consumer sentiment. It is difficult to pinpoint a single reason for the easing sentiment; it is likely owing to a number of factors, including ongoing concerns around the global situation, such as the "fiscal cliff" in US and euro area issues, the relatively high NZD, and uncertainty around the timing of the Canterbury rebuild. The still-elevated unemployment rate is also likely having an effect on consumer sentiment, although the Treasury expects a modest fall in the unemployment rate for the September quarter, the data for which is due to be released in early November.

…as business confidence eases...

The Quarterly Survey of Business Opinion (QSBO) headline measures showed a softer picture for the September quarter. Business confidence declined in the September quarter, with a seasonally-adjusted net 5% of firms expecting the general business situation to decline over the next six months. Firms' actual activity in the quarter continued to fall short of their own expectations. A net 7% of firms reported weaker trading activity in the September quarter, a deterioration from the balanced position in the previous quarter; a net 8% of firms had expected improvement for the quarter in the June survey (Figure 1). However, expectations for the next three months remained broadly steady at 7%, still pointing to above 2% annual GDP growth over the rest of 2012. There were also a range of indicators within the QSBO that backed this moderate outlook such as expectations for the use of building materials and volumes of services. Nevertheless, risks are still to the downside, with the QSBO not including sectors such as agriculture and government.

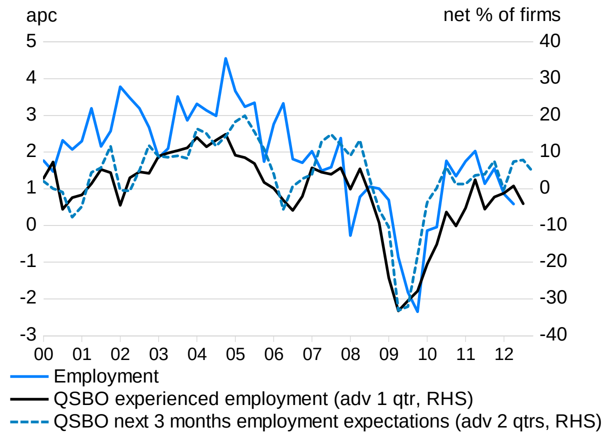
Figure 1 – Real GDP and QSBO activity indicators



Sources: Statistics NZ, NZIER

Employment intentions for the next three months were steady, with a net 4% of firms expecting an increase in employee numbers. However, a net 9% of firms reduced their number of employees in the quarter, pointing to downside risk for the September quarter labour market release (Figure 2). Difficulty finding skilled labour remained above its long-run average, consistent with findings from our recent business talks.

Figure 2 – Employment expectations



Source: Statistics NZ, NZIER

...investment intentions weaker...

Of some concern is the fall in investment intentions for plant and machinery, while the investment intentions for buildings remained negative. Business profitability also declined in the quarter, although firms expect it to improve in the next three months.

The ANZ Business Outlook Survey (ANZBOS, formerly NBBO) headline measures showed a similar story to the QSBO. Of interest, it was the agricultural industry (not included in the QSBO) that showed the most pessimism about the future. Possible reasons include a high NZD that has eroded recent gains in dairy prices and a likely levelling out in production boosts provided by excellent growing conditions over the past season. Meat prices are also lower, driven by falls in lamb prices, which has been exacerbated by the high value of the NZD.

...and consumer confidence falls similarly...

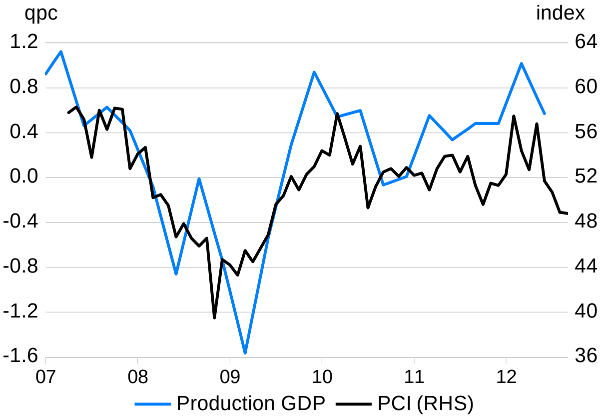
Firms were not the only ones who reported a fall in confidence in the month, with consumer confidence also declining. ANZ-Roy Morgan confidence fell in October to its lowest reading since the end of 2011. Both future and current conditions deteriorated. Of note, however, households still consider it is a good time to buy major household items, consistent with strong durables consumption over the last year. The high NZD and strong competition have helped keep prices low, stimulating the quantity demanded. Electronic card transactions declined in September, but point to moderate consumption growth for the quarter as a whole.

...while activity indicators soften...

The Performance of Manufacturing Index (PMI) continued its soft run in October, rising slightly to 48.2, its third consecutive month pointing to contraction in the manufacturing sector. While the series can be volatile on a monthly basis, it is now showing a negative trend across 2012.

The services sector also appears to be slowing. The Performance of Services Index (PSI) fell to 49.6 in October, its first below-50 reading since a momentary blip in 2010. The new orders/business category has seen the largest fall over the last few months, falling from 62.6 in May to 52.0 in October, albeit still in expansionary territory. The composite index of the PMI and PSI (PCI) eased 0.1 point to 48.8 in October, and reinforces a picture of slowing quarterly GDP growth (Figure 3).

Figure 3 – Real GDP and PCI



Sources: Statistics NZ, BNZ- Business NZ

…but medium-term drivers still positive

While slower growth is appearing more likely in the second half of 2012, medium-term drivers are still positive and should help to generate moderate growth in the future. The most obvious driver of growth over the next few years is the Canterbury rebuild. We have already started to see signs of the rebuild picking up pace, with residential investment rising 5.7% in the June quarter. Building consents rose a robust 7.8% in the September month, to be 23% higher in the year. Canterbury was the main driver, with new dwelling consents up 80% on an annual basis.

Recent reports from government and market contacts suggest that the Canterbury rebuild will be a more long-lasting and sustainable endeavour than previously thought, rather than a fast “boom-bust” cycle. This suggests lower peaks in growth rates and a slower profile to investment and GDP, but more sustained activity over the medium term. This should also help to alleviate supply constraints, assisting in keeping prices of the rebuild in check to some extent. Continued low interest rates are also providing a boost to the wider housing market.

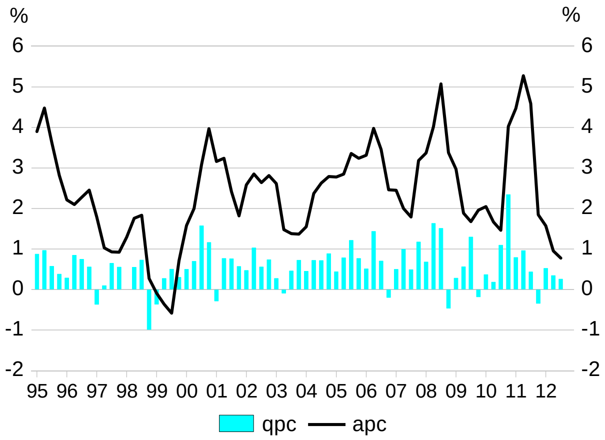
The other significant driver of medium-term growth is the terms of trade. While we have seen the terms of trade decline over the last year from record highs as export prices eased, the terms of trade remain historically high. Commodity prices have recently started to pick up again, with a stabilisation of growth in China and the drought in the US contributing. We expect the terms of trade to trough during the second half of 2012, before increasing again thereafter. This should provide a boost to incomes, helping to drive growth in the economy over the medium term. However, this outlook is not without risk, and is dependent on ongoing strong demand from emerging markets, particularly China.

Pricing pressures subdued…

Pricing pressures remain subdued in the economy. This is illustrated in survey measures of pricing intentions, with just a net 15% of firms surveyed in the ANZBOS intending to lift prices over the next year, a three-year low. This result was backed up by a similar result in the QSBO, where a net 14% of firms expect to increase prices, well below the 33% long-run average. Although expectations of cost increases are higher, firms are finding it difficult to raise prices, with strong competition, particularly in retail. This has led to continual heavy discounting. This is likely also a factor contributing to the falling profitability experienced by firms, with retailers in particular experiencing a large fall in profitability.

The higher-than-expected discounting led to a lower-than-expected inflation outturn in the September quarter. Prices rose only 0.3% in the quarter according to the Consumers Price Index (CPI), taking the annual increase to 0.8% – its lowest annual rate since 1999 (Figure 4). The main drivers for the quarterly increase were food prices and property rates. Food prices, which usually rise in the September quarter, were up 1.1% in the quarter, but 0.9% lower for the year. This partly reflects commodity prices falling 12% over the year to September according the ANZ commodity price index.

Figure 4 – CPI inflation

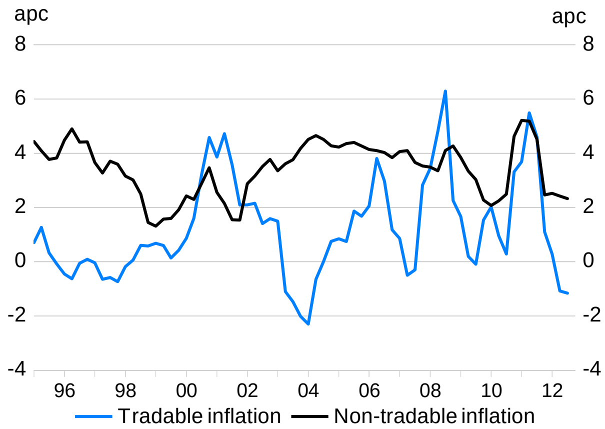


Source: Statistics NZ

Tradables inflation was the primary driver of the subdued outturn. Tradables prices were flat in the quarter and fell 1.2% in the year. The elevated NZD, discounting of durables, and declining commodity prices have been the main reasons behind this.

Non-tradables inflation was 0.5% in the quarter and 2.3% annually (Figure 5). Insurance costs, a hike in the tobacco tax, electricity prices and local-authority rates were the main contributors to the increase on an annual basis. While non-tradables inflation seems relatively high on an annual basis (especially compared to tradables inflation), it is substantially lower than the rates seen during the boom in the 2000s, when it averaged above 4% for a significant period. Weaker domestic demand is undoubtedly the main reason for the lower rates now.

Figure 5 – Tradable and non-tradable inflation



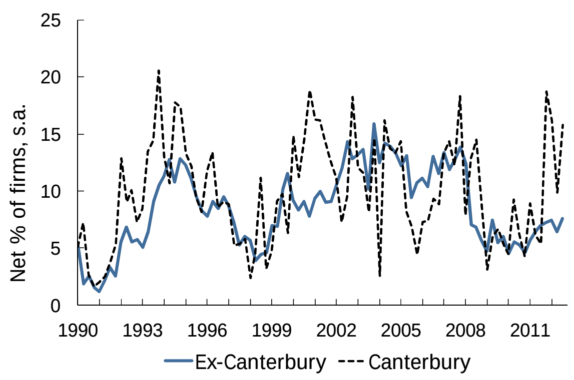
Source: Statistics NZ

…but expected to pick up in line with domestic demand…

While inflation is low at present, most signs point to it returning towards the middle of the target band (2%) over the medium term. Non-tradables inflation is expected to increase over time as demand increases, unemployment falls and the output gap closes. Tradables inflation will increase as the effect of the appreciation of the NZD fades and commodity prices start to increase more. We also forecast the NZD to depreciate over the next 5 years, which should contribute some additional inflationary pressures.

Another driver is expected to be the Canterbury rebuild, with supply constraints raising wages and prices for construction materials. Admittedly, pressures have been low thus far, but as Figure 6 shows, capacity is a much larger constraint in Canterbury than the rest of the country.

Figure 6 – QSBO Capacity as a constraint



Source: NZIER

…keeping the Reserve Bank on hold for now

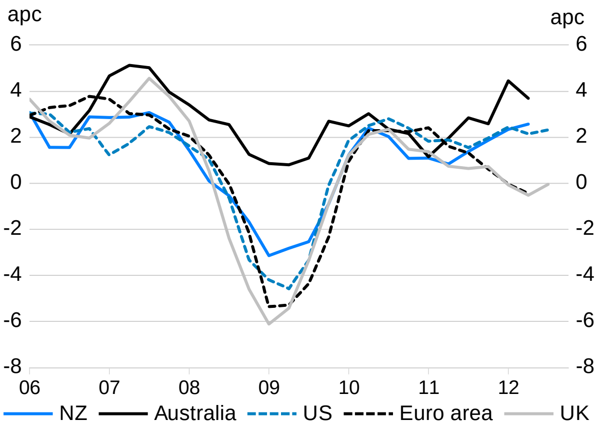
As expected by most economists, the Reserve Bank kept the OCR on hold, in the first policy rate decision from the new Governor, Graeme Wheeler. The statement was more hawkish than some in the market expected, leading to a reduced expectation for OCR cuts. The Governor cited a more balanced profile for global risks, while domestic growth was going ahead at a modest pace.

The Reserve Bank also referred to the housing market, with activity proceeding as expected. Activity in September was soft according to the REINZ data, with sales down 6.4% in the month. The reason for the drop was put down to a lack of new listings, as the usual rush of spring listings failed to appear. House sales are still up 8.0% in the year, with Auckland sales the main driver. Prices were flat from August, with annual growth easing to 5.0%. The government announced plans to help reduce the supply constraints on the housing market, particularly in Auckland. This will be achieved through releasing additional land and reducing the regulatory burden on new developments.

Divergences in global growth apparent...

There were few major international developments during October, but divergences in global growth across regions became more apparent (Figure 7). While growth in the US looks to be accelerating – albeit to only moderate rates – the euro area is languishing. After losing growth momentum in the first half of the year, the Asian region looks to be stabilising somewhat, although risks remain to the downside. This month's special topic takes a closer look at the global economic outlook, with the focus on the recent IMF World Economic Outlook (WEO).

Figure 7 – Country growth rates



Source: Haver

…with US growth accelerating slightly…

Data released for the US were broadly positive in October, pointing to a slight acceleration in growth, although risks around the presidential election and fiscal cliff could derail the recovery. September quarter GDP was above market expectations, growing 0.5% in the quarter and 2.3% in the year. Consumption growth was the main driver, while business investment was soft, likely reflecting the hesitancy of businesses to invest with so much policy uncertainty at present. The housing market continued its recovery, with housing starts showing strength and prices rising. Consumer confidence also improved.

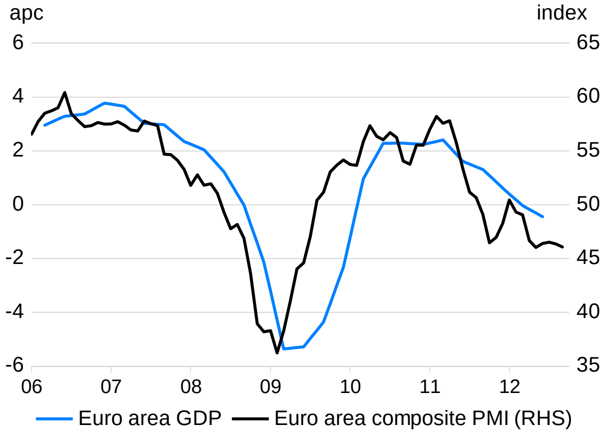
Non-farm payrolls rose a modest 114,000 during September, in line with expectations, with the surprise being a large fall in the unemployment rate. The unemployment rate, which is derived from a different survey, fell 0.3% points to 7.8%, its lowest point since January 2009. While this was a step in the right direction, volatility could mean a partial correction in October's data.

...while the euro area continues to weaken

Little progress was made during the month in the resolution of the euro crisis, although there were some more signs of stability. Reports suggest that Greece had come to agreement with the Troika (ECB, EU and IMF) on additional consolidation required to get the next tranche of its bailout package. The news led to a fall in Greek bond yields, as risks of a near-term exit were perceived to have fallen. EU leaders agreed to have a framework in place for common banking supervision by 1 January 2013, but it is likely this will get pushed back given the ambitious target and disagreement on detail up to this point.

Meanwhile, the economy of the euro area continues to weaken. Retail sales were soft, while industrial production remains weak. There is little prospect of a turnaround in the near term, with the manufacturing PMI falling further during October. The services PMI increased slightly, but continues to indicate contraction in the service sector. Accordingly, the composite PMI points to ongoing negative GDP growth for the rest of 2012 (Figure 8). Divergences are evident within the euro area, with unemployment rates of around 25% in Greece and Spain, while the German unemployment rate is at 5.5%, its lowest rate since reunification in the early 1990s.

Figure 8 – Euro area GDP and Composite PMI



Source: Haver

Chinese growth at a trough…

China's output increased 7.4% in the September quarter from a year ago, in line with most analysts' expectations. It was boosted by the end of destocking, new infrastructure projects and a stabilisation in exports. Other data for the September month showed a pick-up in activity at the end of the quarter: industrial production increased 9.2% from a year ago in September (8.9% in August), retail sales were up 14.2% (13.2%), fixed asset investment was up 20.5% (20.2%) and inflation was 1.9% (2.0%). Both exports and imports grew more than expected in September, pointing to stronger international and domestic demand and a pick-up in growth in the December quarter.

Most analysts now expect growth to have troughed, with a modest pick-up expected in 2013. Risks of a hard landing are lower, but not eliminated. However, it appears policymakers are aware of the main issues, and are attempting to rebalance the economy away from investment and exports, and towards consumption. We do not expect China to return to double-digit GDP growth, but to grow at a more sustainable rate of around 7-8% for the next five years or so.

…easing risks for Australia

A stabilisation in China helps to ease risks for Australia (and in turn New Zealand). This easing of risks is illustrated in recent moves in iron ore prices, which have rebounded after falling quite considerably during August, albeit not back to the levels seen at the start of the year. Significant investment is still in the pipeline over the next year, with large liquefied natural gas (LNG) projects still to be completed. The RBA has revised down its forecast of the peak of investment, but it is still expected to be a primary driver of growth for some time yet.

The RBA cut its policy rate 25 basis points early in the month to 3.25% as expected, citing weaker global growth and a softer mining sector. Inflation data later in the month showed prices increased 1.4% in the September quarter, above expectations. Although a high outturn was expected given the implementation of carbon taxes in the quarter, the actual rate was still on the upside, causing some analysts to rethink their expectation for another RBA policy rate cut before the end of the year.

The Australian government released its Mid-Year Economic and Fiscal Outlook during the month, which showed a smaller forecast surplus than previously in 2012-13, with tax revenues lower as falling commodity prices affected incomes. Further spending cuts were announced to secure the surplus in this and following years.

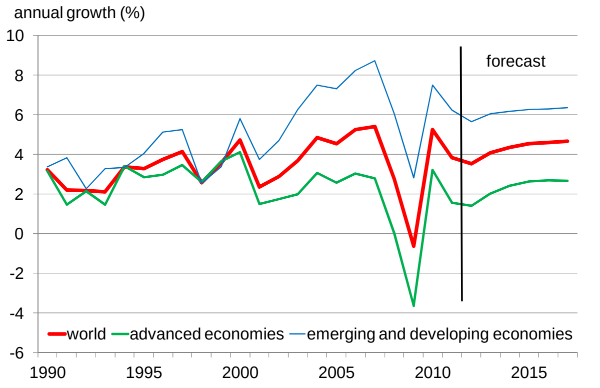
Markets end month lower

After a generally positive start, global equity markets fell late in the month, but remain elevated in comparison to the previous three months. Worse-than-expected earnings reports weighed on sentiment as the month wore on, and lack of progress in the euro area led to some frustration. Bond yields followed a similar profile for the majors, rising early in the month, but later retreating as markets re-entered a risk-off mode. Global commodity prices fell, with the CRB index down around 5%; oil prices were a significant driver of the fall. The NZD was relatively unchanged, hovering around US $0.82 during the month.

Overall, while domestic growth may be softer in the near term, New Zealand's growth performance is expected to remain favourable when compared to many other countries. Medium-term prospects are also positive, with the Canterbury rebuild expected to be a significant driver of growth for many years. Global risks remain to the downside, but October saw more stabilisation, particularly in China, with extreme downside risks lower than earlier in 2012.

More than five years after the initial onset of the global financial crisis in August 2007, the world economy is still performing below expectation. There was a rebound in growth in 2010 from the sharp dip in 2009 when the impact of the crisis was greatest. Since then, however, world growth has been below expectation, although favourable compared with the 1990s, largely because of faster growth (and so increasing shares of world output) in developing economies (Figure 1). But advanced economies have performed poorly in 2011 and 2012 relative to previous decades.

Figure 1 – World economic growth



Source: International Monetary Fund, October 2012 WEO

As growth has continued to fall below expectation, forecasts have been revised down. The latest International Monetary Fund (IMF) *World Economic Outlook* (WEO), released at the annual meeting of the Fund in Tokyo in October, is no exception. This special topic presents the main points from those forecasts, including the risks.

World growth in 2012 has fallen short...

World economic growth in the first half of 2012 was below IMF's previous forecast in April. The IMF puts forward several reasons for this: the continuation of the euro debt crisis creating increased uncertainty, weak financial institutions curtailing credit growth, and inadequate policy responses in key developed economies; in addition, domestic constraints (in the form of capacity pressures and financial imbalances) have limited growth in emerging and developing economies. The IMF also acknowledges that fiscal consolidation may have had a greater impact on growth than it had previously estimated.

...and forecasts have been revised down...

The latest WEO forecasts for world output growth contain further downward revisions. Growth is now expected to be 0.2% points and 0.5% points lower for 2012 and 2013 respectively than in the forecasts presented in April 2012 (Table 1). The reasons for the downward revisions are the same as for the recent slow growth, discussed above.

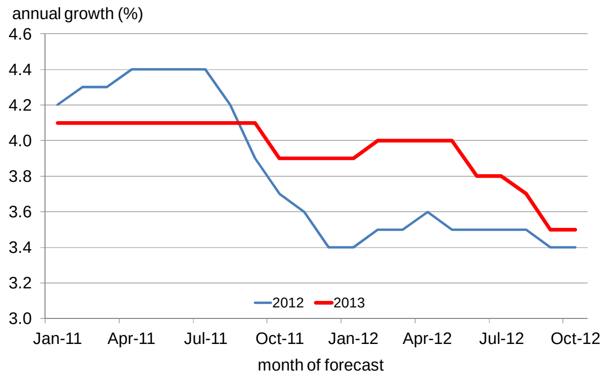
Table 1 – World growth forecasts (annual growth %)

Calendar years	2011a	2012e	2013f
April 2012 WEO	3.9	3.5	4.1
July Update	3.9	3.5	3.9
Oct 2012 WEO	3.8	3.3	3.6

Source: International Monetary Fund

Forecasts for growth in New Zealand's main trading partners have also been gradually revised down, particularly since mid-2011. Figure 2 below shows *Consensus* forecasts, weighted according to shares of New Zealand goods exports, for 2012 and 2013, updated each month. The median forecast for 2012 fell by 1% point in the second half of 2011 from 4.4% to 3.4% (where it still sits) and the outlook for 2013 was revised down from 4.0% to 3.5% in the past six months.

Figure 2 – NZ's trading partner growth forecasts



Source: Consensus Economics

...partly because of policy weakness

The IMF makes the point that part of the reason for the under-performance of the world economy in the first half of 2012 was the lack of an adequate policy response to the euro debt crisis and the fiscal problems in the US. Their latest forecasts are also predicated on the assumption that these issues will be addressed satisfactorily and that if they are not "global activity could deteriorate very sharply."

Outlook weaker now and risks greater...

In its latest forecast, the IMF emphasises that not only is the outlook weaker, but the downside risks are greater than before. Despite recent moves to stabilise the situation, the main risk is of a further escalation of the euro debt crisis. The IMF models the impact of reduced credit, higher sovereign risk premiums in the periphery, larger fiscal consolidation in the peripheral economies and higher corporate risk premiums in advanced and emerging economies. Output in the core euro economies would be nearly 2% points lower than in the baseline forecasts under such a scenario and about 6% lower in the peripheral economies within one year. The IMF also allows for a faster resolution of the euro crisis in an upside scenario.

The other major downside risk considered by the IMF is a failure to resolve the scheduled fiscal tightening in the US at the beginning of 2013. The resultant fiscal contraction would likely plunge the US into recession, which would be transmitted to the rest of the world economy through confidence and wealth effects.

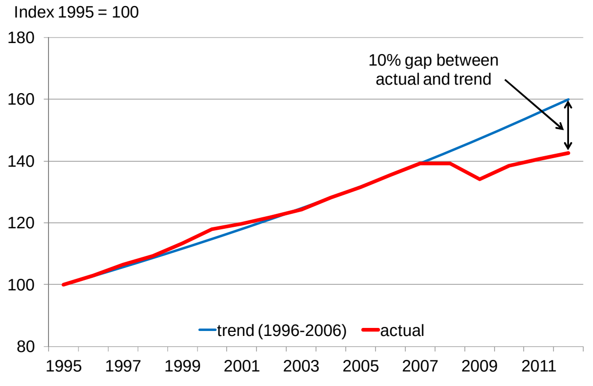
...including medium-term risks...

The IMF also considers two specific medium-term risks that might affect the outlook for the world economy. The first risk is that monetary easing (through the expansion of central bank balance sheets) might lead to higher inflation and lower growth. The second specific risk is high public debt which might constrain growth through higher interest rates, or lead to higher taxes and/or lower public investment, or raise risk premiums for some countries, thereby constraining growth.

...and lower potential output...

The IMF also discusses a general medium-term risk to the outlook. They note that repeated under-performance of the world economy relative to expectations may point to medium-term weakness in potential output (i.e. the productive capacity of an economy, or the level of output in an economy which is consistent with stable inflation). The IMF projections already incorporate a level of potential output for advanced economies that is around 10% lower relative to the pre-crisis trend (1996-2006) in 2012 (Figure 3). Estimates for emerging economies are similar to pre-crisis trends, but projections for medium-term output have been revised down over the past year.

Figure 3 – Advanced economies' level of output



Source: IMF, October 2012 WEO

Potential output could be even lower over the medium term, which would mean there is less slack for these economies to grow before they run up against capacity constraints. IMF modelling suggests that if potential output growth is 0.5% p.a. lower in the US, euro area and Latin America and 1% lower in Asia, global growth for 2013-16 would be 1.5-2% points lower than in the baseline forecasts of 4-5% growth.

...with implications for New Zealand

The IMF discussion shows that the continued downward revision of forecasts is not simply "forecast error" but reflects a lack of resolute action on the part of policy-makers around the world. The performance of the world economy could fall short of expectation again in the forecast period if the assumed action is not taken, with consequences for New Zealand's economic performance. In addition, if global potential output is weaker, that would affect New Zealand through lower global growth and weaker external demand for our goods and services.

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New Zealand Key Economic Data

1 November 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	0.3
	ann % chg	4.5	5.3	4.6	1.8	1.6	1.0	0.8
Tradable inflation	ann % chg	3.7	5.5	4.6	1.1	0.3	-1.1	-1.2
Non-tradable inflation	ann % chg	5.2	5.2	4.5	2.5	2.5	2.4	2.3
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	8.0
QSBO - own activity outlook[4]	net %	-1.6	18.4	30.0	9.9	16.9	8.1	17.7

Monthly Indicators

		2012M04	2012M05	2012M06	2012M07	2012M08	2012M09	2012M10
External Sector								
Merchandise trade - exports	mth % chg[1]	-3.5	2.0	2.0	-2.2	-0.9	5.0	...
	ann % chg[1]	-17.4	-4.1	5.7	9.1	-3.5	-3.9	...
Merchandise trade - imports	mth % chg[1]	-0.1	-1.7	12.7	0.3	-8.0	6.3	...
	ann % chg[1]	0.1	2.7	3.6	9.5	0.0	-3.1	...
Merchandise trade balance (12 month total)	NZ$ million	-554	-850	-763	-766	-885	-888	...
Visitor arrivals	number[1]	213,760	211,520	216,510	209,160	220,130	212,870	...
Visitor departures	number[1]	219,600	207,610	221,350	217,580	214,420	210,380	...
Housing								
Dwelling consents - residential	mth % chg[1]	-7.7	-7.0	6.6	2.9	2.8	7.8	...
	ann % chg[1]	32.7	20.5	28.3	26.3	0.3	22.0	...
House sales - dwellings	mth % chg[1]	-8.7	16.1	-3.9	0.0	1.0	-6.4	...
	ann % chg[1]	13.8	24.4	17.3	19.9	16.2	8.0	...
REINZ - house price index	mth % chg	-0.3	1.7	0.3	-0.7	1.3	0.6	...
	ann % chg	2.7	6.4	5.3	5.2	6.1	5.0	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	1.0	0.8	0.5	-1.3	2.7	-0.6	...
	ann % chg	1.2	6.1	5.5	1.1	7.1	4.1	...
New car registrations	mth % chg[1]	3.6	3.6	-0.9	-1.1	-1.5	-3.4	...
	ann % chg	8.6	10.3	11.7	10.8	0.8	6.7	...
Migration								
Permanent & long-term arrivals	number[1]	6,410	7,020	7,790	6,700	6,870	7,180	...
Permanent & long-term departures	number[1]	7,240	6,910	7,260	7,310	7,140	7,090	...
Net PLT migration (12 month total)	number	-4,006	-3,653	-3,191	-3,799	-4,118	-3,280	...
Commodity Prices								
Brent oil price	US$/Barrel	120.08	110.24	95.29	102.79	113.36	112.95	111.92
WTI oil price	US$/Barrel	103.33	94.7	82.41	87.93	94.16	94.72	89.57
ANZ NZ commodity price index	mth % chg	-4.0	0.7	-3.4	-2.9	-0.8	2.9	...
	ann % chg	-17.6	-15.9	-16.1	-15.1	-14.3	-13.2	...
ANZ world commodity price index	mth % chg	-4.5	-4.4	-2.4	-0.5	0.6	3.4	...
	ann % chg	-13.9	-17.5	-18.7	-18.6	-15.8	-12.2	...
Financial Markets								
NZD/USD	$[2]	0.819	0.7762	0.7801	0.7982	0.8098	0.8174	0.8197
NZD/AUD	$[2]	0.7908	0.7766	0.7813	0.7757	0.7733	0.7867	0.7967
Trade weighted index (TWI)	June 1979 = 100[2]	73.00	70.04	70.86	72.31	72.85	72.80	73.12
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	2.59	2.61	2.67	2.64	2.64	2.65
10 year govt bond rate	%[2]	3.98	3.66	3.41	3.40	3.66	3.58	3.51
Confidence Indicators/Surveys								
National Bank - business confidence	net %	35.8	27.1	12.6	15.1	19.5	17.0	17.2
National Bank - activity outlook	net %	36.1	34.9	20.8	24.0	26.4	29.3	25.5
ANZ-Roy Morgan - consumer confidence	net %	114.0	113.9	105.8	110.5	114.1	111.9	110.5

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, Haver, Westpac McDermott Miller, One News Colmar Brunton