Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

November 2012

Executive Summary

- **The economy appears to have slowed in the second half of the year, following on from a strong first half.**
- **September quarter retail sales and labour market data surprised on the downside, although the underlying picture is not quite as weak as the headline results suggest.**
- **The slowdown should be temporary, with the December quarter likely to rebound slightly and indicators pointing to a further pickup in 2013.**
- **There were positive global developments, but the economic outlook remains weak.**

The economy appears to have experienced a slowdown in the September quarter as activity indicators suggest that growth was weaker than in the first half of the year. Retail sales volumes unexpectedly fell in the quarter; indicators of manufacturing and service sector activity weakened; and agricultural production is expected to drop back following excellent pastoral conditions earlier in the year. Labour market data for the quarter were also weak, with a rise in the unemployment rate to 7.3% from 6.8%, accompanied by a fall in employment.

However, while there was weakness in the September quarter, we consider the economy was not quite as soft as the headline data suggest. The fall in retail sales may have been driven by fewer people being in the country than in a usual September quarter, as net tourism arrivals in the quarter were much lower than average. The rise in the unemployment rate and fall in employment were not matched in other labour market indicators and there may be other factors at play which explain some of the weak labour market headlines.

The fallback in growth in the September quarter appears to be temporary as activity indicators have bounced back in October and November. Other conditions point to a further pickup in growth in 2013, supported by the ramp-up in the Canterbury rebuild. Part of this story involves households which are currently cautious in their spending behaviour. However, factors supporting household disposable income and wealth, including an improving housing market, rising commodity prices and low interest rates, should lead to increasing private consumption growth. This further underlines that the weakness in the September quarter is temporary.

International developments were fairly positive as Greece had its next tranche of funding approved by the Troika and there were positive signs in the US fiscal negotiations. Despite the positive Greek developments, the euro area remains weak with poor growth prospects. In contrast, data out of the US and China continue to show slight improvement.

This month’s special topic looks at the annual National Accounts release, particularly what the data tell us about saving and investment.

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Growth appears to have slowed in the September 2012 quarter, as retail trade and the labour market surprised on the downside, following on from a strong first half of the year when real GDP grew 1.6%. However, we consider the underlying picture was not as weak as some of the headline data suggest. The September quarter appears to be a temporary blip with the December quarter looking like rebounding as October and November activity indicators have bounced back. Signs are currently pointing to a further pickup in growth in 2013 as the Canterbury rebuild gathers momentum. Part of the temporary weakness relates to households which are currently cautious in their spending behaviour. However, economic conditions support rising private consumption growth in coming quarters.

Economy hits weak patch in Q3…

Following the strong growth seen in the first half of 2012 – real GDP grew 1.6% in the March and June quarters combined – the September quarter appears to have been much weaker. The weakness is apparent on both the price and volume sides of GDP, while the labour market produced a significant downside surprise. Part of the GDP weakness is expected to be a reversal of strength shown in earlier quarters and the labour market took a small step backwards since mostly moving sideways after the global financial crisis.

Figure 1 – Consumer and tourist spending

Source: Statistics NZ

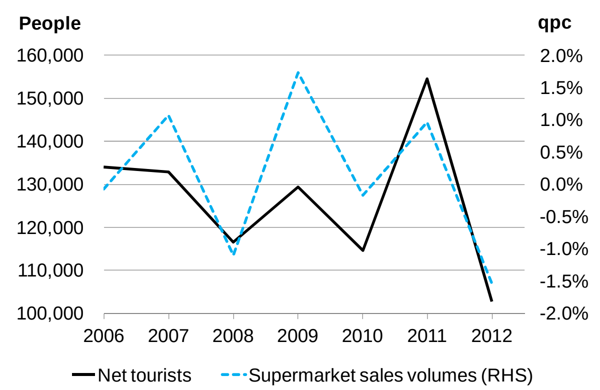
…with subdued real growth expected...

Retail sales volumes unexpectedly fell 0.4% in the third quarter, with the drop relatively broad-based as nine of the 15 industries contracted. While core sales were weak, the major surprises were in the vehicle-related industries as electronic card transactions (ECT) and car registrations had signalled some strength in these areas. Motor vehicle and parts retailing fell 1.8% and fuel retailing fell 1.9%, despite 0.9% falls in prices in both industries. The other surprising result was a 1.5% fall in supermarket and grocery sales volumes, despite a less than usual rise in prices of 0.8%. The weak retail trade result suggests that private consumption and services exports combined will be weaker than anticipated before the release (Figure 1).

Possible explanations for the fall in supermarket sales (along with the general weakness in retail trade) include the weak labour market result (discussed later) and the fact that per person sales did not fall as much as aggregate sales. If people lost their jobs, as was suggested by the fall in employment in the Household Labour Force Survey (HLFS), households may have cut back on spending to compensate.

Another possible explanation is that there were fewer people in the country than usual in a September quarter. Net tourism arrivals (visitor arrivals less short-term resident departures) in the quarter were 102,780 (Figure 2), 41,600 fewer than average for the the previous decade (excluding the 2011 figure which was boosted by the Rugby World Cup). These figures, along with a slowdown in resident population growth, suggest there were fewer people in the country (not taking into account differences in duration of tourist stays) than in a usual September quarter which the seasonally adjusted-retail sales will be based on. Therefore, per capita retail sales were not as weak as the aggregate figure suggests.

Figure 2 – September quarter net tourists and supermarket sales



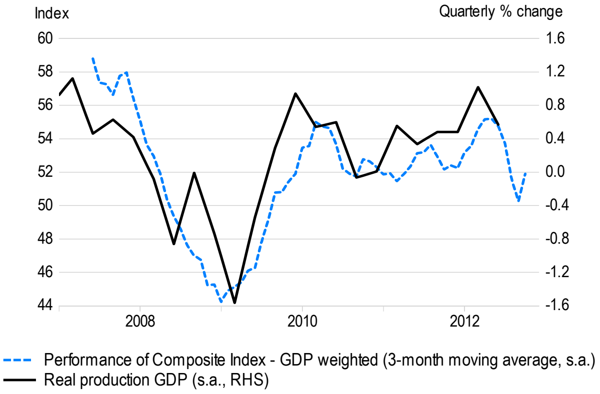
Source: Statistics NZ

...including a reversal of strong H1 agriculture

As a result of excellent pastoral conditions, agricultural production and primary food manufacturing growth were strong in recent quarters. With a return to more normal growing conditions, it is expected that these two industries will experience partial reversals and subtract from GDP in the September quarter. Milkfat production and livestock slaughter numbers suggest that agricultural production will fall in the September quarter and the food, beverage and tobacco section of the Performance of Manufacturing Index (PMI) suggests weakness in that industry. There is likely to be a partial offset from the electricity and gas industry as the result of increased use of hydro-electric generation which points to higher value added and GDP in the industry. In the September quarter Producers Price Index (PPI), the electricity and gas supply industry recorded a greater fall in input prices (15.0%) than in output prices (11.5%).

Following on from recent strong growth, the manufacturing and services sectors of the economy appear to have slowed in the third quarter, according to the Performance of Services Index (PSI) and the PMI. The services sector of the economy grew 1.9% over the previous three quarters combined as the PSI was well in expansionary territory; with the PSI moving close to the contraction cut-off of 50 in the third quarter, the contribution from services is likely to be less.

Figure 3 – PCI and GDP



Sources: Statistics NZ, BNZ-Business NZ

The manufacturing sector grew 2.7% over the previous two quarters combined as the PMI moved into expansionary territory, but the PMI moved back into contraction in the September quarter. The Performance of Composite Index (PCI, weighted average of the PSI and PMI) just remained in expansion for the quarter, but points to slower growth than in the first half of the year (Figure 3).

Aggregating some of these activity indicators and other variables, including labour market data, the ANZ Regional Trends indicates that nationwide activity expanded by only 0.1% in the September quarter. Eight of the 14 regions experienced contraction as there was a broad-based easing. September quarter GDP will be released on December 20.

Prices also subdued...

Subdued price growth is expected to exaggerate the effect that weak volume growth will have on nominal GDP in the third quarter. In the PPI, producer output prices (one of the main indicators for the contribution of price to changes in nominal GDP) fell 0.9% in the quarter. The weakness was driven by lower electricity and gas supply prices, as well as dairy lower prices. The fall in output prices in part reflected a 1.0% fall in input prices.

The weak producer price result underpinned the subdued CPI outturn last month which was matched by a 0.3% fall in the retail trade deflator, resulting in nominal retail sales falling by more (0.8%) than volumes in the September quarter. These results suggest that the gross national expenditure deflator (domestic prices) could fall. The overall effect on nominal GDP will then depend on the terms of trade, which are expected to be fairly flat. This is owing to a fall in import prices offsetting a drop in export prices from decreasing commodity prices earlier in the year. This adds to the expectations that nominal GDP will be weak in the September quarter.

...and the labour market goes backwards...

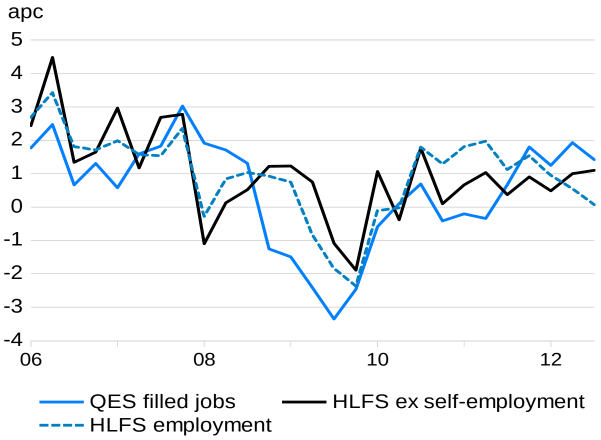
In the September quarter the labour market appeared to take a step backwards after multiple quarters of moving sideways. While we consider the underlying picture of the labour market is not as weak as headline figures suggest, as some of the detail and other labour market indicators are more positive, it still points to an economy that slowed in the September quarter.

According to the HLFS, there was a 0.4% fall in employment in the quarter, driven by a fall in male full-time employment. Total hours worked fell 0.8% in the quarter, to be down 2.0% for the year. The weak result was surprising given indicators suggested a small increase in employment. It also contrasted with the Quarterly Employment Survey (QES) which showed a 0.3% increase in filled jobs, to be up 1.4% for the year, and paid hours which were up 1.9% versus a year earlier.

The main driver of the weak employment result appears to be self-employment which was down 20,000 in the HLFS over the past year. Self-employment increased significantly after the recession, possibly as people who lost their job set up their own business, and the latest result may just be a reversal of that trend. The people who left self-employment may have simply changed employment status (e.g. employed other people or became employed elsewhere) and may not fully explain the net fall in employment. A possible explanation for some of the fall in self-employment is people moving to Canterbury to help with the rebuild. Statistics NZ commented that much of the fall in self-employment was in the construction industry. These people may have moved to Canterbury and either started work for someone else or employed others. While it does not explain all of it, the drop in self employment may be part of the reason for the fall in employment in the HLFS.

Changes in self-employment may also explain part of the divergence between the HLFS and QES, as the QES does not capture self-employed people. Comparing the QES and the HLFS excluding self-employed shows a more consistent picture of the labour market recently (Figure 4).

Figure 4 – QES filled jobs and HLFS employment



Source: Statistics NZ

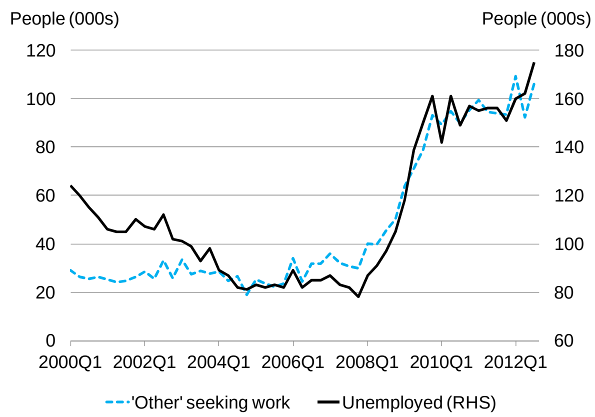
...including a rise in the unemployment rate

The HLFS unemployment rate rose from 6.8% to 7.3% in the September quarter, the highest value since 1999. However, the rise in the unemployment rate may be less serious than first impressions suggest. While the unemployment rate is at a 13-year high, the employment rate (the portion of the working age population in employment) was 63.4%, only a two year low. In the September quarter the number of people employed fell 8,000, the working age population rose 5,000 and unemployment rose 13,000. This shows that in aggregate those who lost their jobs in the quarter and those who entered the working age population either remained in or joined the labour force, suggesting that there was no discouraged worker effect (people leaving the labour force as they do not believe they can find a job) despite the recorded fall in employment.

There are a couple of possible reasons for the recent high participation and unemployment rates compared to history. First, internet job search is classified as actively seeking work (as it is recorded in the 'other' category in looking for employment), whereas looking in the newspaper is not; as people shift from searching in newspapers to the internet, the unemployment rate (and participation rate) rises as long as these people are also available for work.

The number of people actively seeking work in the 'other' category has increased significantly since 2008 and has coincided with a rise in total unemployment (Figure 5). The rise also coincided with both the downturn in the economy and the labour market as a result of the global financial crisis as well as the fall in newspaper job ads and rise of internet job ads. It should be noted that some internet job search should be classified as 'active', e.g. applying for a job on-line. At present Statistics NZ is not able to distinguish 'active' from 'passive' internet job search activity and all of it is classified as 'active'.

Figure 5 – Unemployment and those seeking employment through the 'other' category



Source: Statistics NZ

In another positive sign, and in contrast to the HLFS, unemployment benefit recipient numbers have been falling recently to be down around 11% for the year. The two groups only have a limited overlap so differences are to be expected. It is possible that the government's welfare reforms are beginning to affect beneficiary behaviour as the signalling from stricter eligibility criteria introduced from October 2012 (with further changes expected in July 2013) encourage more people to be available for and actively seek work.

Q3 weakness is consistent with tax revenue...

The weaker third quarter results are consistent with Core Crown tax revenue being $295 million (2.1%) below *BEFU* forecasts in the three months to September. The main contributors to the negative variance were source deductions and GST, both almost $170 million below forecast. The unexpected fall in nominal retail sales will have contributed to the below-forecast GST take and the weak labour market result would have been a factor in the negative PAYE variance.

...but Q4 looking more promising...

In October the PMI and PSI bounced back. The PSI recorded the largest increase in a single month in its (admittedly short) history, while the PMI moved back into expansion. While this is only one month of data and another month or two is needed to confirm the trend has turned, it is a positive start to the December quarter and suggests that the September quarter may have been a temporary weak period. The November ANZ Business Outlook also suggested improvement, with own activity rising to a net 31.6% of firms expecting to increase activity from 25.5% in October.

Also encouraging has been a stabilisation in consumer confidence in October and November after falling over the September quarter. While confidence is still below average, it suggests that the recent deterioration in consumer spending has come to an end and is ready to pick up. To this end, ECT values rose 0.4% in October, providing a good base for household spending in the December quarter. However, as noted earlier, ECT data do not always provide the best indicator for retail spending in the economy, leading us to temper our expectations of a significant increase in December quarter consumption growth. Our HYEFU forecasts will be released on December 18.

...with signs for 2013 also better

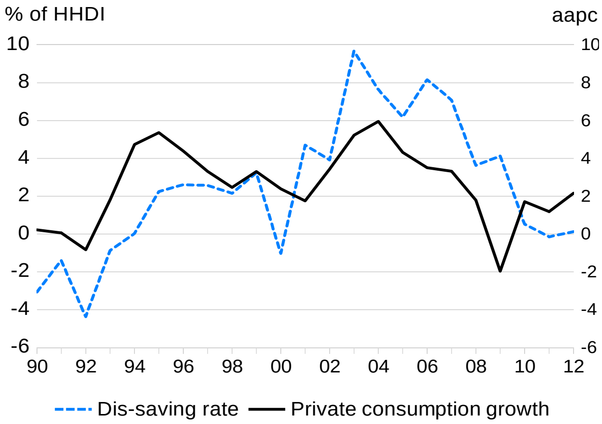
There are other reasons to expect the September quarter's slowdown to be temporary, including rebounding commodity prices and a ramp-up in Canterbury rebuild activity. ANZ commodity prices continued to rise in October, up 1.3% in world price terms, with the third consecutive monthly rise leaving the index down only 8.7% for the year. Dairy prices led the way, rising more than 3%. The rise in dairy prices looks set to continue with the Global Dairy Trade index up 2.4% in November, taking annual growth back into positive territory. These results point to a rise in export prices which will boost the terms of trade from the March 2013 quarter and raise farm incomes over 2013.

The Canterbury rebuild is also expected to gain momentum over 2013. Repair work is already going strong with Canterbury being the main bright spot in the retail trade survey. Retail sales in Canterbury were up 3.4% in the September quarter and at a national level the hardware, building and gardening industry had the biggest increase, led by Canterbury. In the ANZ regional trends, Canterbury showed the largest quarterly rise in activity at 1.9%, keeping the national aggregate positive. National building consents rose 6.4% in the September quarter (2.7% excluding volatile apartments). Consents were up 15.7% for the year, driven by a 66% increase in Canterbury consents. These consents will begin to show up in building activity in the December quarter and provide a boost to GDP growth.

Households currently cautious...

Households currently appear to be cautious in their spending behaviour. This is shown by consumer confidence having been below average for about two years now. This has corresponded with a period of modest private consumption growth and hit home with the unexpected fall in retail sales in the September quarter.

Figure 6 – Saving rate and private consumption



Source: Statistics NZ

This period of modest private consumption growth has resulted in an improvement in the household saving rate compared to the 2000s (Figure 6). According to the Household Income and Outlay

Account, for the last three years households have effectively spent only what they earned with final consumption expenditure almost equal to disposable income. This resulted in a saving rate of -0.1% of household disposable income (HHDI) in the March 2012 year, following on from 0.2% in 2011 and -0.5% in 2010. This comes after a period in the 2000s when households had a dis-saving rate of peaking at almost 10% of household disposable income (Figure 6). This month's special topic discusses the recently-released annual National Accounts data, including the household saving rate.

...but conditions in place for pickup

House prices are currently showing solid increases with the REINZ House Price Index up 6.9% in October compared to a year earlier. This came as sales volumes surged to be up 32.6% over the past year and strong demand reduced days to sell to a level similar to the previous housing boom. A pickup in the housing market is likely to contribute to higher household spending through the wealth effect of higher house prices and as people buy new contents when they move house.

Other factors that should contribute to a pickup in private consumption growth include historically-low interest rates and the recent rebound in commodity prices which will flow through to higher farm incomes. Despite the weak September quarter labour market outturn, real wages are still rising steadily owing to the subdued inflation environment. The QES showed that average hourly earnings were up 2.8% for the year, which along with a 0.8% CPI inflation rate meant real hourly wages were up 2.0% on a year earlier.

We also expect that the Canterbury rebuild will bring about complementary consumption spending as people fit out their new houses with durable goods. Recently, durables consumption has dominated household spending, likely related to the increased housing market activity, as well as repairs and replacement of damaged contents in Canterbury.

Relatively positive month internationally…

November turned out to be a relatively positive month after a somewhat rocky start. An agreement on the next Greek tranche was finally made, while there were some positive signs in the negotiations on the fiscal cliff in the US, but they will likely still go down to the wire. Divergences in global growth evident last month continued, with the euro area remaining weak, while the US and China showed modest improvement.

…as Greece finally gets tranche approved…

After significant delays, the next tranche of funding for Greece was finally approved in late November. The Greek parliament narrowly passed new austerity measures that were required to receive the funding. However, given the previous delays to reforms and weaker-than-expected growth, previous debt reduction targets were no longer realistic. A new programme was negotiated by members of the troika (ECB, European Commission and the IMF) to address this. The new programme aims to reduce the debt-to-GDP ratio to 124% by 2020 and 110% by 2022. In order to achieve this, a number of new measures were announced, including a reduction in interest rates on bilateral loans, the extension of maturities on loans, the return of profits made on Greek government bonds from central banks, and a debt buyback of €10bn of privately held bonds at no more than 25-33 cents in the euro. Greece is expected to receive €34.4bn in December after national governments have approved the measures in their respective parliaments.

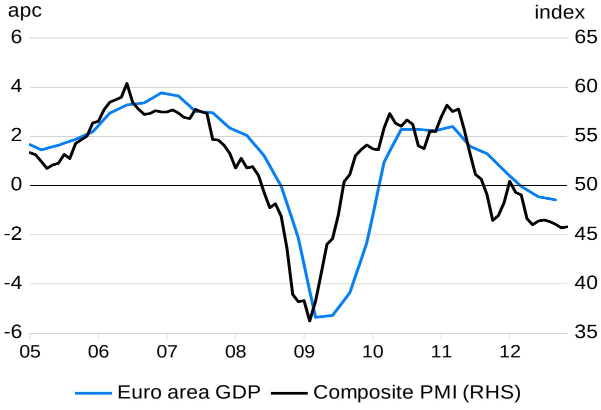
While this is a positive step forward in reducing uncertainty around the euro crisis and Greece, some analysts remain sceptical that Greece will be able to meet the targets, as they suggest the growth forecasts for Greece are too optimistic.

…but euro area economy remains weak

Despite the progress made by policymakers over the last few months in resolving the euro debt crisis, the euro area economy remains subdued. September quarter GDP contracted 0.1% following a 0.2% fall in the June quarter, putting the region back into a recession. Annually, real output is down 0.6%. The quarterly decline came despite the region's two largest economies posting modest growth; the German and French economies both grew by 0.2% in the quarter. This highlights the tough economic conditions being experienced by the smaller euro area nations. The unemployment rate rose further in September to 11.6%, a record high. Indicators for manufacturing and services output remain very soft, pointing to a further contraction of GDP in the December quarter (Figure 7).

Of particular concern is that Germany, the euro area's largest economy and a country that has avoided much of the weakness to this point, is also starting to see signs of softening growth. Registered unemployment has started to rise, while export orders and industrial production have been weak. German business confidence is at two-year lows, and its manufacturing and services PMIs (Purchasing Managers Index) are below 50.

Figure 7: Euro area GDP and composite PMI index



Source: Haver

US recovery ongoing despite hurricane…

Overall, US data for October were on the positive side, signalling the recovery is picking up some momentum. Consumer sentiment hit four-year highs during the month, pointing to increased consumption going forward. The housing market remains one of the main drivers behind the improvement in sentiment. Existing home sales and housing starts both beat market expectations in October, while the Case-Shiller house price index extended its positive run, rising 0.4% in September to be 3.0% higher for the year. Non-farm payrolls rose 171,000 in October, above the market pick, while the unemployment rate edged higher to 7.9% on higher participation. Third quarter real GDP growth was revised up from 0.5% to 0.7%, but mainly on higher stocks.

Other data were on the weaker side, with industrial production and retail sales falling in October, but both were affected by Hurricane Sandy. Some bounce-back is expected as the north-east region recovers.

…as Chinese data continues to improve...

Momentum continued to build in Chinese data during the month, with most measures of activity beating market estimates. Industrial production rose an annual 9.6% in October, from 9.2% in September. The official and HSBC manufacturing PMIs are above 50 for the first time in a year, signalling further growth in industrial production. Retail sales growth was also higher at 14.5%, a crucial part of China's medium-term rebalancing policy. Annual exports rose an above-market 11.6%, while imports grew a modest 2.4%. Annual inflation fell more than expected to 1.7%, as food prices declined, giving authorities more room for stimulus, although house prices remain a concern.

Overall, the Chinese recovery from a trough in the September quarter appears intact, but risks are still primarily to the downside. The first part of the leadership transition that took place during the month will likely mean little change in the near term on economic policy, but the way may be open for further economic and social reforms in the medium term.

…while Australian labour market resilient

The Australian economy continues to show resilience to a falling terms of trade. This was evident in labour market data for October, which saw employment rise 11,000 (0.1%). The unemployment rate remained steady at 5.4%, where a slight rise had been expected. This better-than-expected outturn came after the RBA held its policy rate at 3.25%; many had picked a cut. The RBA's subsequent Statement on Monetary Policy lowered the growth outlook slightly over 2013 and 2014 as the RBA lowered its assumption on the peak for mining investment, and brought it forward slightly. Nevertheless, mining investment is still expected to be a significant driver of growth over the coming year.

Markets rebound from mid-month slump

Global equities fell over the first half of the month as the US election was held, concerns continued around the fiscal cliff, a Greek deal was delayed and violence escalated between Israel and Hamas. However, sentiment improved later in the month as there were more positive signs in the talks on the fiscal cliff, the tranche for Greece was approved, and a cease fire was established in Gaza. Positive data from China and the US also helped to improve sentiment, supporting a rebound in equity markets. Euro area bond yields generally fell, aided by the Greek deal. Metal prices rose as Chinese data improved, pushing overall commodity prices higher. The NZD remained high, reflecting the positive sentiment.

OECD downgrade global growth outlook

The OECD released its latest World Economic Outlook in November, downgrading its global growth outlook from its May numbers, as expected. The OECD cut its world growth forecast for 2012 from 3.4% to 2.9% and 2013 forecast from 4.2% to 3.4%. Notable cuts for 2013 include for the US, with 2.0% growth down from 2.6%, China's growth down from 9.3% to 8.5%, and for Germany, with growth at 0.6% from 2.0% previously. These changes bring their forecasts more in line with latest *Consensus* forecast.

Special Topic: National Accounts: Saving and Investment

National accounts statistics provide detailed information on the composition of Gross Domestic Product (GDP) including consumption, investment, incomes and production. The details provided in these releases assist analysis of the sources and uses of income, savings behaviour, capital investment and its financing. This Special Topic looks at what the latest data tell us about saving and investment.

GDP revised up

National accounts data for the year ending March 2012 were released on 21 November. The National Accounts draw on a much larger information set than the quarterly GDP releases and therefore contain a large number of revisions to previous estimates of GDP for the year ended March and its components. The 2012 National Accounts release also introduced changes in the way financial intermediation services are measured.

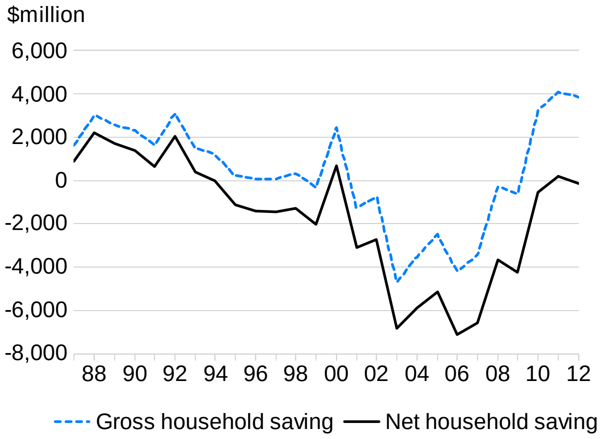
Changes in the way financial services are measured have led to higher estimates of the current price level of GDP. The average impact on GDP is an upward shift of 0.7% per year in each of the last ten years. Other revisions, particularly to household consumption expenditure, mean that nominal GDP for the year ending March 2012 was $3.6 billion (1.7%) higher than was estimated in the previous quarterly GDP releases.

The upward revisions to consumption suggest that, at the margin, household spending has been less restrained than the Treasury assumed in its Budget forecasts. However, the overall picture of a significant shift in household saving behaviour remains little changed, as Figure 8 shows.

Household saving stabilises

National disposable income, which is the sum of all income available to New Zealand residents for current spending, saving or investment, increased 3.9% in the year to March 2012, but total consumption expenditure rose more strongly, up 4.8%. As a result national saving declined $1.3 billion to $1.4 billion, or 0.7% of GDP (refer to the set of graphs on page 16 of the accompanying Chart Pack).

Figure 8 – Household saving stabilises



Source: Statistics NZ

General government (local and central) saving was negative for the third year in a row, although the shortfall between income and expenditure narrowed to $2.5 billion, from $3.1 billion in 2011.

Household saving dipped slightly, from $177 million in the year ending March 2011 to -$144 million in 2012. Although negative, this level of (dis)saving is a marked turnaround from the mid-2000s. The turnaround in saving is even more marked when depreciation is added back to saving. Because deprecation is an imputed value it does not impact on household cash flows.

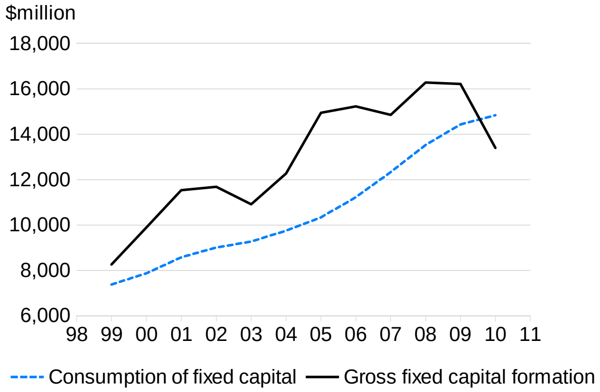
Figure 8 shows that gross saving i.e. saving before depreciation (or consumption of fixed capital) is deducted, is at an unusually high level. This means that households, in aggregate, have funds available to reduce debt or invest. This behavioural change is reflected in weak credit demand, strong banking deposit growth and falling leverage ratios (refer to page 15 of the accompanying Chart Pack). The gross measure may therefore more accurately reflect the extent to which household saving behaviour has shifted.

Depreciation exceeds investment

Weak investment growth over the past two years means that investment spending remains below its 2008 level. Investment in fixed assets rose just 0.7% in the year ending March 2012, compared to a rise of 2.1% in 2011 and a decline of 10.5% in 2010. Central and local government investment drove the increase in 2012, up 2%, while private sector investment, including residential investment, was little changed, up 0.2%.

Private sector corporate investment, which accounts for about half of all non-residential investment, fell 17% in 2010 to a level below the rate of depreciation (Figure 9).

Figure 9 – Private sector depreciation exceeds investment



Source: Statistics NZ

As a result the net capital stock of private sector productive enterprises contracted. Although there are no national accounts measures of private sector consumption of fixed capital beyond 2010, there are provisional estimates of the national capital stock The provisional estimates show that the capital stock excluding residential investment and other construction investment (these assets have a large proportion of household and public sector ownership), has yet to recover to its 2008 level.

The lower capital stock reflects, in part, adjustments made by Statistics New Zealand to reflect asset losses from the Canterbury earthquakes. These downward adjustments affect the stock of residential, non-residential and other construction assets. However, even when these assets are excluded the capital stock remains below its 2008 level.

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

29 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	0.1	0.2	0.2	0.4	-0.2	-0.4
	ann % chg[1]	1.7	2.0	1.1	1.6	0.9	0.6	0
Unemployment rate	%[1]	6.5	6.6	6.6	6.4	6.7	6.8	7.3
Participation rate	%[1]	68.5	68.4	68.4	68.3	68.7	68.4	68.4
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.5	0.6	0.6	0.4	0.5	0.5
	ann % chg	1.8	1.9	2.0	2.0	2.0	2.0	1.9
QES average hourly earnings - total[5]	qtr % chg	0.4	1.1	1.2	0.1	1.4	0.1	1.1
	ann % chg	2.6	3.0	3.2	2.8	3.8	2.9	2.8
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]	1.2	1	1.7	3.3	-1.6	0.9	-0.3
	ann % chg	1.4	1.9	3.3	7.3	4.3	4.3	1.8
Total retail sales volume	qtr % chg[1]	1.3	0.9	1.7	2.5	-0.8	1.3	-0.4
	ann % chg	0.7	1.1	2.9	6.4	4.2	4.8	2.3
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

		2012M05	2012M06	2012M07	2012M08	2012M09	2012M10	2012M11
External Sector								
Merchandise trade - exports	mth % chg[1]	1.8	1.8	-2.3	-1.0	4.5	-8.0	...
	ann % chg[1]	-4.1	5.7	9.1	-3.5	-4.0	-10.9	...
Merchandise trade - imports	mth % chg[1]	-1.8	12.5	0.0	-8.4	5.9	-13.7	...
	ann % chg[1]	2.7	3.6	9.5	0.0	-3.6	1.7	...
Merchandise trade balance (12 month total)	NZ$ million	-850	-763	-768	-888	-875	-1367	...
Visitor arrivals	number[1]	211,800	216,550	208,780	220,330	211,490	207,910	...
Visitor departures	number[1]	208,080	221,580	217,760	214,710	210,930	215,000	...
Housing								
Dwelling consents - residential	mth % chg[1]	-7.0	6.6	2.9	2.8	7.8	...	...
	ann % chg[1]	20.5	28.3	26.3	0.3	22.0	...	...
House sales - dwellings	mth % chg[1]	15.9	-3.8	0.3	1.5	-8.0	17.7	...
	ann % chg[1]	24.4	17.3	19.9	16.2	8.0	32.6	...
REINZ - house price index	mth % chg	1.7	0.3	-0.7	1.3	0.6	1.5	...
	ann % chg	6.4	5.3	5.2	6.1	5.0	6.9	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.8	0.5	-1.3	2.7	-0.6	0.4	...
	ann % chg	6.1	5.5	1.1	7.1	4.1	3.2	...
New car registrations	mth % chg[1]	3.6	-0.8	-0.9	-0.9	-3.4	9.8	...
	ann % chg	10.3	11.7	10.8	0.8	6.7	21.4	...
Migration								
Permanent & long-term arrivals	number[1]	7,010	7,790	6,710	6,900	7,230	7,370	...
Permanent & long-term departures	number[1]	6,900	7,250	7,310	7,150	7,090	7,110	...
Net PLT migration (12 month total)	number	-3,653	-3,191	-3,799	-4,118	-3,280	-2,319	...
Commodity Prices								
Brent oil price	US$/Barrel	110.24	95.29	102.79	113.36	112.95	111.92	*109.29*
WTI oil price	US$/Barrel	94.7	82.41	87.93	94.16	94.72	89.57	*86.45*
ANZ NZ commodity price index	mth % chg	0.7	-3.4	-2.9	-0.8	2.9	1.1	...
	ann % chg	-15.9	-16.1	-15.1	-14.4	-13.2	-12.5	...
ANZ world commodity price index	mth % chg	-4.4	-2.4	-0.4	0.5	3.4	1.3	...
	ann % chg	-17.5	-18.7	-18.6	-15.8	-12.2	-8.7	...
Financial Markets								
NZD/USD	$[2]	0.7762	0.7801	0.7982	0.8098	0.8174	0.8198	*0.8190*
NZD/AUD	$[2]	0.7766	0.7813	0.7757	0.7733	0.7867	0.7967	*0.7874*
Trade weighted index (TWI)	June 1979 = 100[2]	70.04	70.86	72.31	72.85	72.80	73.12	*73.37*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.59	2.61	2.67	2.64	2.64	2.65	*2.64*
10 year govt bond rate	%[2]	3.66	3.41	3.40	3.66	3.58	3.51	*3.47*
Confidence Indicators/Surveys								
ANZ Bank - business confidence	net %	27.1	12.6	15.1	19.5	17.0	17.2	26.4
ANZ Bank - activity outlook	net %	34.9	20.8	24.0	26.4	29.3	25.5	31.6
ANZ-Roy Morgan - consumer confidence	net %	113.9	105.8	110.5	114.1	111.9	110.5	114.1
Performance of Manufacturing Index	Index	55.1	49.1	49.3	47.5	49.1	53.6	...
Performance of Services Index	Index	55.3	52.7	51.8	50.3	51.8	57.7	...

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

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

Sources: Statistics New Zealand, Reserve Bank of New Zealand, NZIER, ANZ, Haver, Westpac McDermott Miller, ANZ-Roy Morgan, REINZ, BNZ-Business NZ