Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

February 2013

Executive Summary

- **Domestic demand is looking more positive, especially compared to other advanced economies. This contributed to an increase in the NZ dollar.**
- **Retail trade volumes surged in the December quarter, helped by a seasonal rise in fuel sales, falling imported durable goods prices and rising housing activity.**
- **The labour market appears weaker than anticipated, although the consequences for economy-wide hours, earnings and tax are not as significant.**
- **The global outlook has continued to improve, although this trend is not universal.**

GDP growth appears to be picking up in New Zealand, driven by housing-related activity. The December quarter is expected to be particularly strong, especially compared to many advanced economies that experienced contractions in the quarter. As a result of this acceleration, markets priced in almost a 25 basis point hike in the OCR over the next year which, when combined with loose monetary policy in other advanced economies, helped push the NZ dollar to a post-float high on a TWI basis mid-way through February. Interest rate expectations and the exchange rate eased at the end of the month on some weaker data and renewed global nervousness.

The lift in domestic demand has had a large contribution from housing. The strong retail sales result in the December quarter, where underlying volumes rose 1.5%, was driven by housing-related components. Hardware store sales were especially strong as a result of repairs and rebuilding in Canterbury and household contents had significant increases, likely in relation to increasing housing market activity. Lower prices for imported goods also contributed to the result, helped by the appreciation of the NZ dollar. In addition, dwelling consents point to a continued acceleration in the annual growth of residential investment.

Labour market data continued their recent weakness in the December quarter. In the Household Labour Force Survey (HLFS), employment and the labour force participation rate suffered significant falls. This seemed at odds with other labour market indicators, but these other indicators would not pick up a fall in self-employment that partly drove the fall in HLFS employment. As the HLFS gives a more complete picture of employment, the labour market appears weaker than we expected. The softness in the HLFS has not had significant implications for economy-wide hours worked, earnings and PAYE tax revenue, as the fall in employment was concentrated in part-time and young workers who work fewer hours and are paid lower wages and salaries on average. Labour force participation of young people has continued to fall recently as more undertook further education and were not able to find work.

The global outlook has improved slightly in developed countries, although economic activity remains weak. However, emerging economies appear to be rebounding steadily. This month's special topic looks at New Zealand's Net International Investment Position (NIIP), suggesting it could be improved by 5-10% of GDP with more complete measurement of assets.

New Zealand Government

Analysis

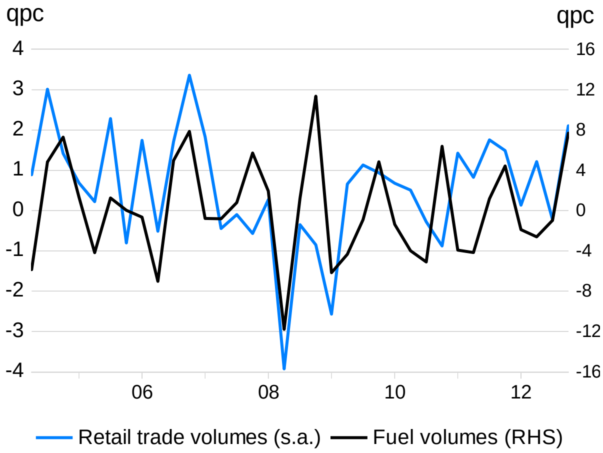
Domestic demand is starting to look more positive, especially in comparison with other advanced economies. Growth is picking up in New Zealand and looks likely to be strong in the December quarter (Q4), whereas most major advanced economies experienced contractions in Q4. Also, our aggregate export commodity prices continue to rebound. These developments, along with loose monetary policy in other developed economies, pushed the NZ dollar higher. However, the NZ dollar fell towards the end of the month on some weaker data and as market participants moved to a risk-off tone owing to uncertainty over the Italian election.

Household spending picks up in Q4...

December quarter private consumption appeared strong as retail sales volumes recorded the largest quarterly increase in six years, up 2.1% following a 0.2% fall in the September quarter. A fall in retail prices meant that retail sales values rose 1.7% in the quarter. Sales volumes and values are now up 3.3% and 2.9% respectively on a year earlier. The release showed significant discounting of imported durable goods, partly owing to the high exchange rate, which appears to be boosting sales volumes.

The quarterly increase was driven by a 7.7% increase in fuel volumes, which are not seasonally adjusted (Figure 1). Fuel volumes usually show a large increase in Q4 and if fuel is seasonally adjusted, retail volumes increased 1.5% and nominal sales only increased 1.2%. This indicates underlying growth was not as strong as the headline.

Figure 1 – Retail trade and fuel volumes



Source: Statistics NZ

Despite underlying spending being weaker than the headline, the retail trade result was stronger than we expected and points to higher growth in Q4 than our HYEFU forecast of 0.5%. This upside was supported by ANZ Regional Trends, which by aggregating several indicators across the regions suggested that activity increased 1.8% nationwide in Q4. All 14 regions experienced growth, but the aggregate was driven by Canterbury.

...led by housing...

In retail sales, hardware, building and gardening supplies volumes increased 4.3% in the quarter, propelled by high sales in Canterbury as repairs and the rebuild start to accelerate. Retail sales values in Canterbury rose 2.0% in the quarter to be 7.1% higher than a year earlier. Department store, electronic and furniture sales volumes were also up strongly in the quarter, influenced by increased housing market activity and residential investment through complementary consumption as people purchase new contents for their newly built and purchased houses.

Rising housing market activity was shown in the January REINZ release, with sales 21% higher than a year earlier. Increased demand contributed to the House Price Index being up an annual 7.2%. The price increase was led by Auckland rising 11.8% and Christchurch increasing 9.9%. Also, the annual growth in housing credit continued to increase to 4.0% in January.

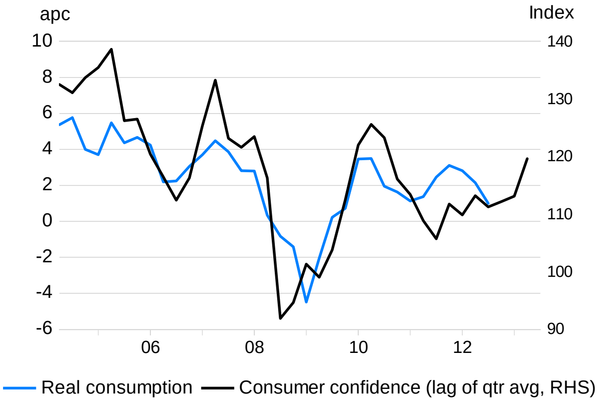
Residential investment looks set to continue accelerating in 2013 as building consents (excluding the volatile apartment component) increased 9.6% in January. Canterbury and Auckland continue to contribute over half the national consents total. The rise in January comes on the back of a strong end to 2012 with a 10.2% rise in Q4.

...and indicators point to continuing strength...

The momentum gained in Q4 household spending looks set to continue in the March quarter. Total electronic card transactions rose 0.4% in January, setting a solid base for March quarter consumer spending. The rise was driven by a 1.9% increase in fuel spending, continuing the momentum from Q4. This meant that core retail transactions were up 0.3%, to be 4.9% higher than a year earlier.

ANZ-Roy Morgan consumer confidence rose from 112 to 119 (over 100 shows optimists outweigh pessimists) on a seasonally-adjusted basis in February, a 32-month high. The rise was driven by a significant increase in the future conditions index, but current conditions also improved. The index is now above its historical average for the first time in 2½ years, suggesting consumers are willing to continue increasing their spending from subdued recent growth rates (Figure 2).

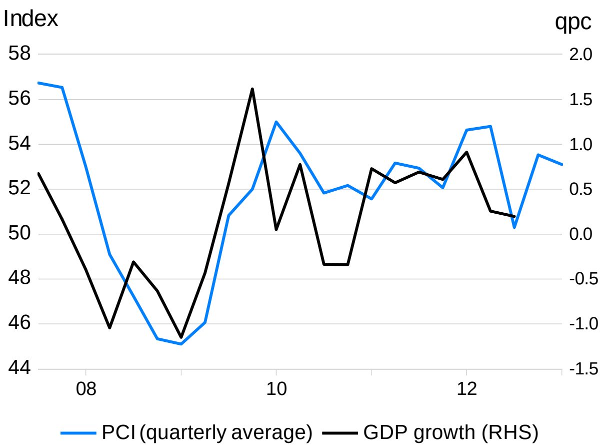
Figure 2 – Consumer confidence and private consumption



Sources: Statistics NZ, ANZ-Roy Morgan

The services and manufacturing sectors also look set to expand with BNZ-BusinessNZ Performance of Services Index (PSI) and Performance of Manufacturing Index (PMI) increasing in January. The PSI rose 1.1 points from December to be at 52.6 (figure above 50 indicates expansion) and the PMI bounced back 4.8 points to an eight-month high of 55.2. The strength of the PMI was concentrated in the Canterbury/Westland region, likely related to materials for the Canterbury rebuild that will become more of a dominant factor in coming months as it continues to ramp up. Combining the PSI and PMI saw the Performance of Composite Index (PCI) lift 1.9 points to a solid 53.1, indicating a positive start for GDP growth in 2013 (Figure 3).

Figure 3 – PCI and GDP



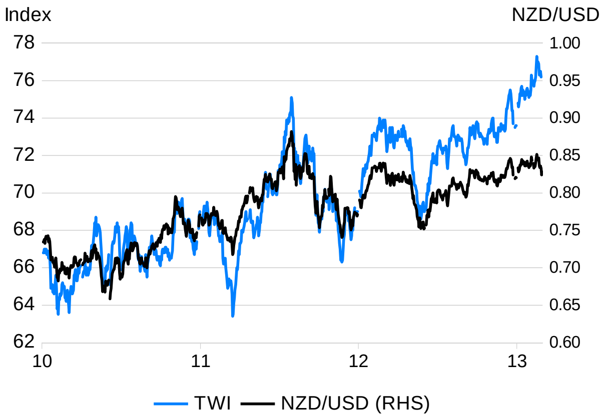
Sources: Statistics NZ, BNZ-Business NZ

Continuing momentum is also suggested in the ANZ Business Outlook (ANZBO), where firms' own activity outlook increased from a net 31% of firms expecting expansion to 38% in February. The survey showed broad-based improvement with investment and employment intentions as well as profit expectations all rising.

...pushing the NZ dollar to a post-float high on a TWI basis

This string of positive data releases in New Zealand, especially relative to global developments, helped push the NZ dollar Trade Weighted Index (TWI) to a post-float high of 77.4 mid-way through the month and resulted in markets pricing in almost a full 25 basis point interest rate hike over the next year. New Zealand is unusual in having a central bank with a tightening bias and this relatively positive interest rate outlook is one of the factors that drove the NZ dollar higher, before weaker data and sentiment in relation to uncertainty from the Italian election brought it back down (Figure 4).

Figure 4 - The exchange rate



Source: RBNZ

Labour market data suggest weakness...

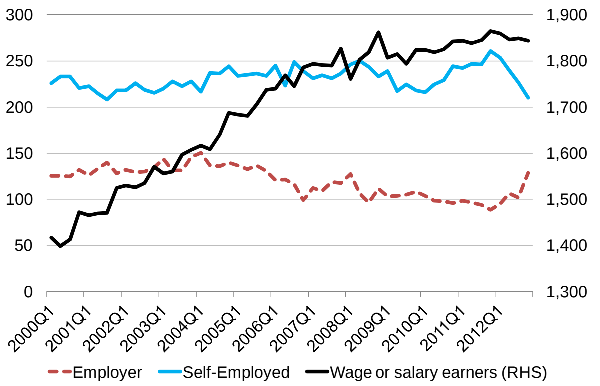
In contrast to rising domestic demand, labour market headlines were weak in Q4. In the Household Labour Force Survey (HLFS), the headline measures of employment and the labour force participation rate suffered significant falls. However the Quarterly Employment Survey (QES) was slightly more positive and, on the surface, more consistent with other data received recently.

...as employment falls...

In the HLFS, employment fell 23,000 (1.0%) in Q4, to be down 32,000 (1.4%) on a year earlier. This took the employment rate (the percentage of the working-age population in employment) down to 62.6%, a 10-year low. There was an annual

50,000 person fall in self-employment (Figure 5), as male self-employment fell to a level not seen since 1998. This was mostly offset by a 40,000 rise in people in the 'employer' category. Changes between the 'self-employment' and 'employer' categories generally occurred in the same industry, suggesting that a significant number of previously self-employed people hired at least one worker. An example of this would be a builder, who worked for themselves, taking on workers to help with the Christchurch rebuild. This leaves a net fall in the two categories of around 10,000. The majority of the employment fall was therefore driven by a 22,000 fall in 'wage or salary earners' over the year.

Figure 5 – Employment by category



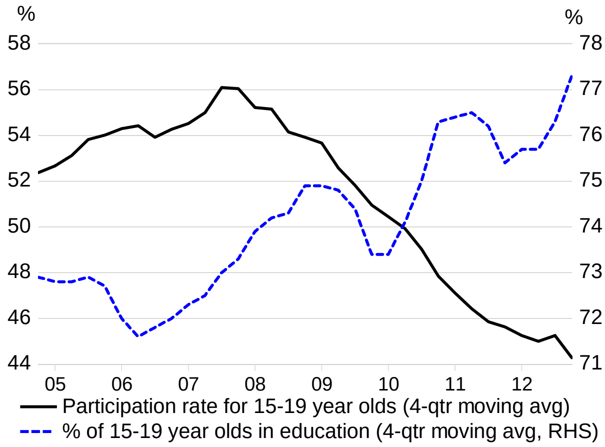
Source: Statistics NZ

The overall fall in employment was concentrated in female part-time workers, especially those working 1-9 hours per week, meaning total labour input was not affected as much with total actual hours worked only down 0.1% in the quarter. The fall was also concentrated in those under 30 years old as well as those in the education, agriculture and manufacturing industries. There was a significant rise in people who left employment to return to study, taking those numbers to an all-time high, as young people undertake further education. The number of people laid off is a little below its long-run average, meaning lay-offs were not a significant factor in the overall employment result.

...as does participation...

The labour force participation rate fell 1.2% points, the largest quarterly fall in the series' history, to 67.2%. The fall in participation was spread across most age groups, but the largest contribution came from 15-19 year olds. There has been a significant increase in the proportion of 15-19 year olds in education and at the same time there has been a fall in the participation rate of this group (Figure 6). This would indicate that the recent movements are a response to a tough job market, leading young people to seek more education if they cannot find a job. Older people also contributed to the surprise participation result as there was an increase in the number of retirements in the older age groups in Q4. Over the last few years there has been an upward trend in the participation rate of older people, but Q4 went against this trend as participation of older workers was flat versus a year ago.

Figure 6 – Labour force participation and education rates of 15-19 year olds



Source: Statistics NZ

The unemployment rate actually fell from 7.3% to 6.9% in Q4, despite the large fall in employment, as more people left the labour force. This was partly owing to decreases in the unemployment rate of 25-50 year olds, as some of this group left the labour force. However, the number of discouraged workers is around average levels and is not the main driver of overall labour market weakness. The fall in the participation of older people also would have contributed to the fall in the unemployment rate. The unemployment rate was up from 6.4% a year earlier, mainly due to a rise in unemployment for young people.

...but hours and wages hold up...

Despite the fall in employment in the HLFS, wages and salaries have increased moderately over the past year according to the QES. Average hourly earnings are up a moderate 2.6% on a year earlier, although subtracting 0.9% CPI inflation gives fairly robust real wage growth of 1.7%. Hours paid were up 1.9% on a year earlier, resulting in a 4.6% increase in gross weekly earnings. The earnings growth is in part owing to the fall in employment being concentrated in part-time and young workers who would likely be on lower wage and salary rates. As these people work fewer hours and would earn lower wages and salaries on average, the decline in employment for this age group would have less impact on overall earnings.

This rise in earnings has supported PAYE, with source deductions revenue being $111 million (1.0%) above forecast in the six months to December 2012. This, along with a positive variance on other persons tax, was offset by negative variances on corporate tax and GST, leaving Core Crown tax revenue $31 million (0.1%) below forecast.

...allowing reconciliation with other indicators

Most other labour market and activity indicators, while not being particularly strong, have been more positive than the HLFS. In the QES, filled jobs were up 1.4% for the year compared to the 1.4% fall in HLFS employment. This difference can mostly be explained by falls in self-employment and agricultural employment, which the QES does not measure. Excluding these groups, HLFS employment was up 1.0% for the year. However, as the HLFS is the more complete measure of the labour market, it suggests total employment is weaker than we previously thought.

Other labour market indicators, including employment intentions in the PMI, PSI, ANZBO and Quarterly Survey of Business Opinion, have suggested stronger employment outturns than have been experienced. However, as these mainly cover established businesses, they would under-represent the fall in self-employment that has partly driven the weakness. The ANZ job ads series, which fell 1.5% in January to be at a similar level to a year ago, suggesting flat employment for the year, would also miss the fall in self-employment.

Activity indicators, including retail trade, have been picking up, which on the surface contrasts with the recent fall in employment. However, as mentioned earlier, the fall in employment did not have a significant impact on earnings. With QES total weekly gross earnings 4.6% higher than a year ago and nominal retail sales up 2.9%, retail sales growth is actually slower than earnings growth. There is generally a lag between activity and hiring, indicating a pickup in employment in coming quarters.

Prices subdued...

Business costs appear to be subdued as the Producers Price Index for inputs fell 0.3% in Q4 to be down 0.5% on a year earlier. Output prices almost matched inputs by falling 0.1% in Q4 to be down 0.8% in the year, the second largest annual decrease on record. This suggests that producers are passing on lower costs to their customers.

The fall in producer prices was driven by a 5.8% fall in the input prices of electricity and gas suppliers owing to higher hydro-lake levels that allowed electricity generation companies to use less of the expensive generation types. Lower demand meant larger price falls were passed on in output prices.

Similarly, the Capital Goods Price Index was unchanged in Q4 and only rose 0.9% on an annual basis. Positive contributions came from construction-related sub-indices, likely related to the recent pickup in construction activity nationally, but especially in Canterbury. The rise in construction prices was offset by decreases for plant, machinery and equipment, and transport equipment, partly owing to the strong NZD.

...although food and commodity prices could provide upside

Food prices rose 1.9% in January. Food prices are now up 0.8% for the year, following four monthly falls. More food price rises may be on the way if recent commodity price increases flow through to retail prices. To that end, the ANZ Commodity Price Index rose 0.3% to a 10-month high in January. The index has had six consecutive monthly increases totalling 8%. The appreciating TWI has constrained NZ dollar prices slightly and may reduce the inflationary pressure from rising world commodity prices.

Uneven improvements in global outlook

The global economic outlook improved modestly in February, but the gains were uneven. US indicators appear solid, particularly in the light of the recent payroll tax hike. Chinese data also gained momentum. However, the euro area still lagged behind, and concern remained about a slowdown in Australia, although sentiment improved. The generally expansionary trend in monetary policy in the developed world has led to concerns over currency depreciation in some of those economies.

US developments are promising

February US data were largely positive, brushing off the weak Q4 GDP figure. The ISM manufacturing and non-manufacturing indices both increased, and are well above 50, indicating healthy output expansion. Sentiment improved, as shown by the New York Federal Reserve manufacturing survey and the University of Michigan consumer confidence survey. Although unemployment rose slightly in January, the growth in non-farm payrolls has held steady, and there were large upward revisions to the 2012 figures.

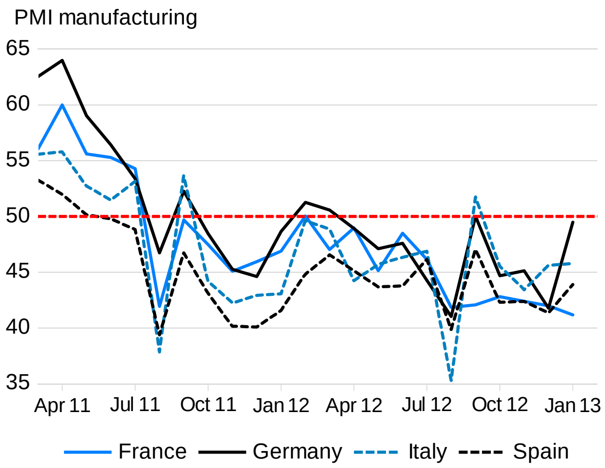
Housing continued to strengthen. December's Case-Shiller House Price Index and January's new-home sales rose strongly. The reduction in January housing starts reflected seasonal winter conditions. In level terms, the housing data were much stronger than a year ago.

The most recent consumption data showed a slowdown. January retail sales and the Q1 consumption growth projected by Deutsche Bank were slower than in the prior quarter, reflecting the effect of the payroll tax hike. There is still uncertainty about the full effect of the payroll tax increase, and the extent and impact of the March government spending cuts.

Overall economic weakness in the euro area despite some financial stabilisation...

Economic activity remained weak in the euro area, in both the core and the periphery. Euro area GDP fell 0.6% in Q4, with both the German and French economies contracting. February PMI data were more mixed, with Germany doing better than France and the peripheral nations. However, all manufacturing PMIs were still below 50 (Figure 7), indicating output contraction even for Germany, albeit at a slower rate. While industrial production increased in December, this was offset by a downward revision to November's figures. Unemployment remained high at 11.7%, with the Spanish and Greek rates the highest.

Figure 7 - euro area manufacturing PMIs



Source: Haver

Financial conditions stabilised modestly. The early Long-Term Refinancing Operation repayments from banks, the core economies' banks' reduced reliance on ECB funding, the Irish debt restructuring, and the resumption of market bond-issuance by Portugal all indicated increasing financial stability. However, the Italian election result created volatility in financial markets at the end of February, illustrating the fragility of euro area markets to political uncertainty. Glimmers of improving consumer and business sentiment are evident, particularly in France. However, given the high unemployment, these positive developments are unlikely to translate into stronger activity any time soon.

...but is offset by strength in China

Chinese data continued to strengthen. PMI indices were healthy overall. Q1 GDP is expected to be 8.1% (apc), according to Consensus Economics. Financial indicators, such as the money supply (M2) and private lending, rose substantially. Trade data were strong. However, the timing of the Lunar New Year, which fell in February this year as opposed to January last year, contributed to the strength of the data, implying that a temporary reversal is not far away. Indeed, the most recent PMI data already showed a significant decline, but this is expected to be temporary.

Australian data soft despite rising sentiment...

Indicators released in February were generally weak. The labour market softened as job ads, vacancy indices and wage growth all eased. However, unemployment remained low in January, at 5.4%. The housing data underperformed, with falls in housing approvals and home loans. Construction work fell in Q4, led by a decline in engineering work. The manufacturing PMI is at 40.2, indicating significant output contraction. Mining investment is predicted by the RBA to peak mid this year, and the degree to which other sectors of the economy will fill the output vacuum remains to be seen.

Consumer and business confidence, and business conditions, improved somewhat. While this development is positive, it would take further increases in sentiment to boost economic activity significantly.

...while Japan is still a wildcard

Japanese data opened poorly as Q4 GDP contracted 0.1%, driven by weak business investment and exports, but later data were more positive. Exports surged in January, although the trade deficit widened as imports increased by more. Economic activity indices rose, while the Nikkei was up 2.3% in February. However, it remains to be seen if currency weakness and the recovering global demand can provide the impetus to sustain this rebound.

Yen weakening will likely persist, as a dovish candidate is now favoured to become the new Bank of Japan (BoJ) governor. Although the yen did appreciate in late February, this was likely due to uncertainties surrounding the Italian election.

Currency fluctuations set to continue

Analysts interpreted the statement from the G20 meeting as disallowing the deliberate targeting of the exchange rate as a monetary-policy objective, but permitting action directed at the domestic economy that also affects the exchange rate. Hence, it is not expected to alter BoJ behaviour. This was confirmed by the continued fall in the yen and the immediate rise of the Nikkei following the statement release.

The minutes of the Bank of England's February meeting showed increased support for additional asset purchases. Moody's recent credit-rating downgrade of the UK added to the recent weakness of the pound.

Special Topic: Measuring New Zealand's net international investment position

Last month's special topic looked at the extent and composition of New Zealand's external debt – a key component of total international liabilities – in a global context. This month, we take a closer look at the way in which the stocks of our international assets and liabilities are measured, and try to quantify some of the known gaps in the reporting framework.

Measurement reliant on surveys...

Like most other statistical agencies, Statistics New Zealand uses a range of quarterly and annual surveys to compile its international investment statistics. These surveys capture the international asset and liability positions of a large proportion of the economy well – particularly the official sector (central and local government and the RBNZ), large and mid-sized businesses including banks, and individual holdings made through managed funds.

There are two areas, however, that are known to be under-covered by the existing survey framework. The first relates to the international asset and liability positions of small and medium-sized businesses. These firms are targeted in the survey framework, but corresponding data on the income they receive from foreign investments suggest that the surveys are not capturing their entire international positions. The second area of under-coverage is the international positions of individuals and retail investors – mainly on the asset side – not otherwise captured by surveys of managed funds. This predominantly includes:

1. Foreign equity and fixed income securities held either directly or via a nominee/custodian;
2. Overseas real estate assets;
3. Individuals' overseas superannuation assets.

...posing some specific problems for NZ

Some of these under-covered areas represent measurement challenges for other statistical agencies elsewhere in the world, particularly the amount of real estate owned overseas by residents, as well as real estate owned by non-residents. However, there are two factors specific to New Zealand that further complicate the task here. The first stems from the small size of New Zealand's capital markets, which means that a comparatively high proportion of retail investment by New Zealanders ends up heading offshore, beyond the scope of the survey framework. The second factor relates to our comparatively high migration flows relative to our population. As a result, measuring the asset and liability positions is more of a challenge here than in other countries.

There have been some attempts to estimate the degree of under-covered assets and liabilities in our international statistics in the past. When Statistics NZ introduced tax data from IRD into the current account income series in 2010, there was some debate as to the implications that these previously uncounted income flows had for the size of the unmeasured stock of investment assets. Comment by Westpac in its review of the 2010 June quarter Balance of Payments release suggested that if the rate of return to the 'new' IRD income data was the same as for assets already surveyed, the actual net international investment position (NIIP) could be closer to -60% of GDP, rather than -87% recorded at the time.[1]

[1] Note that there have been subsequent revisions to the official statistics since the June 2010 quarter (see footnote 2). The manner in which reinsurance claims relating to the Canterbury earthquakes have been recorded in the official statistics has also temporarily increased the level of New Zealand's international assets too.

We have analysed each of the main areas of under-coverage listed above in turn, focusing on individuals' assets, to arrive at a 'bottom-up' estimate of the degree of under-estimation.

Sizeable amount of under-reported assets...

On the asset side, offshore investments of individuals and trusts are likely to constitute the most significant gap in the measurement of our international assets. Statistics New Zealand introduced backdated estimates of the amount of equity assets held by New Zealanders in Australia into the official statistics in the June 2011 quarter, along with other improvements to the reporting framework too.[2] The combined effect of these changes was to increase New Zealand's international assets by around 5% of GDP in the 2011 year, which lifted the overall NIIP from -75.1% of GDP to -69.4% of GDP.

Taking the official figure of equity assets held directly in Australia (ie, not via managed funds), along with our estimates of the distribution of New Zealanders' assets held overseas, we estimate that there is around $10-15bn of directly-held portfolio assets that are not captured in the official international statistics. This covers bond holdings by New Zealanders in Australia, as well as equity and bond positions held in the rest of the world.

Pension assets accrued by New Zealanders who have worked overseas are likely to amount to a significant sum too. Making use of migration data, we estimate such pension assets could be around $2-5bn. Given our strong trans-Tasman links, as well as the existence of compulsory savings in Australia, the bulk of these assets are likely to be concentrated in Australia, followed by the UK.

There are no accurate data to go on with regard to ownership of overseas real estate. However, previous surveys of households conducted throughout the 2000s point to considerable overseas holdings in the region of between $2-4bn. Taking the uncertainty of such surveys into account, and factoring in other expected valuation and exchange rate changes over the period, we estimate that New Zealand ownership of overseas real estate could now amount to around $2-8bn. A summary of our estimates of under-covered international assets is shown in Table 1.

[2] www.stats.govt.nz/browse_for_stats/economic_indicators/balance_of_payments/improvements-international-investment-position-statistics.aspx

Table 1 – Estimates of under-covered international assets of individuals, trusts and estates

	Treasury estimate (NZ$)
Offshore retail portfolios	10 – 15bn
Superannuation assets	2 – 5bn
Real Estate	2 – 8bn
Other (inc. bank deposits and life insurance)	< 2bn
Total	***15 – 30bn***

Source: The Treasury

... offset partly on the liability side...

There are, of course, areas of under-coverage on the liability side that will partly offset some of the known gaps in our knowledge on the asset side. These include any outstanding overseas mortgages owed by New Zealanders which would at least partly outweigh the impact of similarly uncounted overseas real estate assets. Real estate in New Zealand owned by non-residents may in fact be larger than the asset estimate above and perhaps less likely to be offset by mortgages owed to New Zealand banks.

However, given that the bulk of New Zealand's overseas borrowing is concentrated in the banking and corporate sectors – both of which are captured well by the current survey framework – we are confident that under-reported assets outweigh under-reported liabilities.

...but still points to a 'true' NIIP improvement

Overall, then, while our analysis is necessarily subject to a wide degree of uncertainty, we estimate that complete measurement of under-reported international assets and liabilities would result in an improvement in our NIIP of around 5-10% of GDP. This would lift our NIIP from its current level of -72.6% of GDP as at the end of the September 2012 quarter to somewhere in the region of -65% of GDP. Adjusting for the current inclusion of reinsurance claims in the official asset statistics, the 'true' NIIP may in fact be similar to the current reported level.

Making further improvements to the data

Making further improvements to the measurement of international investment data over and above those already made by Statistics New Zealand is a difficult task.

Two forthcoming surveys will go some way towards filling some of the gaps discussed here. The first will involve surveying all firms involved in international investment in the March 2013 year, which will help to update estimates for the asset and liability positions of small and medium-sized companies. The second is a household net worth survey that Statistics New Zealand will conduct during 2014/15. This will not give a complete picture, as it will not target trusts or high net-worth individuals. But it will be an important step forward in identifying a range of international assets held by New Zealand residents.

Some of the under-covered areas in the international statistics are also likely to correct themselves over time. For example, the upcoming introduction of a trans-Tasman retirement savings portability scheme will help over time to bring New Zealanders' overseas pension assets currently held in Australia (ie, out of the reach of existing surveys) into Kiwisaver providers in New Zealand that *are* well covered by the current framework.

However, given the trade-off between improving data quality and increasing the reporting burden on survey respondents, other improvements will increasingly target administrative data (such as that from the IRD on income flows) and sharing more data with other international statistical agencies (so-called mirror-data).

Overall, given that offshore investments of individuals and trusts are likely to constitute the most significant gap in the measurement of our international assets, this will be a key area for future development work in the official statistics.

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 February 2013

Quarterly Indicators

		2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.6	0.7	0.6	0.9	0.3	0.2	...
	ann ave % chg	0.9	0.8	1.5	1.9	2.4	2.5	...
Real private consumption	qtr % chg[1]	0.9	1.0	0.8	0.1	0.2	-0.1	...
	ann ave % chg	1.5	1.7	2.1	2.5	2.7	2.3	...
Real public consumption	qtr % chg[1]	0.7	0.9	0.1	-1.2	1.1	0.2	...
	ann ave % chg	1.5	2.2	2.0	1.8	1.6	0.9	...
Real residential investment	qtr % chg[1]	-8.0	1.3	4.3	0.6	6.1	7.4	...
	ann ave % chg	-6.2	-11.4	-11.2	-10.7	-2.7	6.2	...
Real non-residential investment	qtr % chg[1]	-1.7	2.4	-0.2	2.4	3.2	-4.7	...
	ann ave % chg	8.0	10.0	7.9	5.9	5.4	3.6	...
Export volumes	qtr % chg[1]	0.2	0.1	3.6	-2.1	-0.9	4.0	...
	ann ave % chg	2.0	1.8	2.7	2.6	2.4	3.1	...
Import volumes	qtr % chg[1]	2.4	1.9	-2.2	4.3	-4.2	2.6	...
	ann ave % chg	11.4	10.6	6.6	6.1	3.6	1.3	...
Nominal GDP - expenditure basis	ann ave % chg	4.5	4.8	4.0	3.9	4.2	2.7	...
Real GDP per capita	ann ave % chg	-0.2	-0.3	0.5	1.0	1.6	1.7	...
Real Gross National Disposable Income	ann ave % chg	2.2	2.3	1.8	2.2	1.3	1.4	...
External Trade								
Current account balance (annual)	NZ$ millions	-7,422	-8,826	-8,268	-9,033	-10,087	-9,894	...
	% of GDP	-3.7	-4.3	-4.0	-4.4	-4.8	-4.7	...
Investment income balance (annual)	NZ$ millions	-9,756	-10,595	-10,750	-10,443	-10,899	-10,254	...
Merchandise terms of trade	qtr % chg	2.4	-0.6	-1.5	-2.3	-2.5	-3.2	...
	ann % chg	7.1	3.4	1.0	-2.1	-6.7	-9.2	...
Prices								
CPI inflation	qtr % chg	1.0	0.4	-0.3	0.5	0.3	0.3	-0.2
	ann % chg	5.3	4.6	1.8	1.6	1.0	0.8	0.9
Tradable inflation	ann % chg	5.5	4.6	1.1	0.3	-1.1	-1.2	-1.0
Non-tradable inflation	ann % chg	5.2	4.5	2.5	2.5	2.4	2.3	2.5
GDP deflator	ann % chg	3.4	3.0	0.3	-0.3	2.5	-2.4	...
Consumption deflator	ann % chg	4.1	3.2	1.6	1.4	1.2	1.1	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.2	0.1	0.4	0.2	-0.1	-0.4	-1.0
	ann % chg[1]	2.0	1.1	1.6	0.9	0.6	0.0	-1.3
Unemployment rate	%[1]	6.6	6.5	6.4	6.7	6.8	7.3	6.9
Participation rate	%[1]	68.4	68.3	68.4	68.7	68.4	68.4	67.2
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.5	0.6	0.6	0.4	0.5	0.5	0.5
	ann % chg	1.9	2.0	2.0	2.0	2.0	1.9	1.8
QES average hourly earnings - total[5]	qtr % chg	1.1	1.2	0.1	1.4	0.1	1.1	-0.1
	ann % chg	3.0	3.2	2.8	3.8	2.9	2.8	2.6
Labour productivity[6]	ann ave % chg	-1.1	-1.1	0.0	0.7	1.7	2.8	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	0.9	1.8	2.0	-0.5	0.7	0.0	1.5
	ann % chg	1.9	3.2	6.4	4.2	4.1	1.7	2
Total retail sales volume	qtr % chg[1]	0.8	1.8	1.5	0.1	1.2	-0.2	2.1
	ann % chg	1.1	2.8	5.7	4.2	4.7	2.2	3.3
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	112	112	101	102	100	103	111
QSBO - general business situation[4]	net %	26.6	24.6	0.1	13.0	-4.1	8.0	19.8
QSBO - own activity outlook[4]	net %	18.4	30.0	9.9	16.9	8.1	17.7	18.7

Monthly Indicators

		2012M08	2012M09	2012M10	2012M11	2012M12	2013M01	2013M02
External Sector								
Merchandise trade - exports	mth % chg[1]	-1.1	4.4	-8.1	7.2	-6.7	1.6	...
	ann % chg[1]	-3.6	-4.5	-10.9	-2.1	-4.2	-10.1	...
Merchandise trade - imports	mth % chg[1]	-8.5	5.6	-15.0	13.4	7.9	-15.2	...
	ann % chg[1]	0.0	-3.6	1.6	-1.6	-10.4	-6.0	...
Merchandise trade balance (12 month total)	NZ$ million	-889	-891	-1379	-1390	-1156	-1299	...
Visitor arrivals	number[1]	220,340	212,390	209,520	215,230	218,960	213,470	...
Visitor departures	number[1]	214,740	210,920	215,540	213,310	218,640	217,240	...
Housing								
Dwelling consents - residential	mth % chg[1]	2.9	6.9	-1.6	-5.3	9.4	-0.4	...
	ann % chg[1]	0.3	22.0	32.4	19.8	22.5	19.5	...
House sales - dwellings	mth % chg[1]	1.6	-7.9	17.9	-0.5	-6.6	11.0	...
	ann % chg[1]	16.2	8.0	32.6	24.1	8.2	21.1	...
REINZ - house price index	mth % chg	1.3	0.6	1.5	1.4	-0.6	-1.0	...
	ann % chg	6.1	5.0	6.9	7.3	6.7	7.2	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	2.6	-0.6	0.5	0.5	0.3	0.3	...
	ann % chg	7.1	4.1	3.2	6.2	3.6	5.8	...
New car registrations	mth % chg[1]	-0.1	-4.0	9.6	-3.6	0.1	3.3	...
	ann % chg	0.8	6.7	21.4	8.4	3.0	6.5	...
Migration								
Permanent & long-term arrivals	number[1]	6,900	7,230	7,370	7,350	7,330	7,070	...
Permanent & long-term departures	number[1]	7,110	7,050	7,060	6,800	7,410	6,730	...
Net PLT migration (12 month total)	number	-4,118	-3,280	-2,319	-1,567	-1,165	12	...
Commodity Prices								
Brent oil price	US$/Barrel	113.36	112.95	111.92	109.41	109.56	113.02	*116.40*
WTI oil price	US$/Barrel	94.16	94.72	89.57	86.66	88.25	94.69	*95.50*
ANZ NZ commodity price index	mth % chg	-0.8	2.9	1.2	0.9	-0.1	-0.5	...
	ann % chg	-14.4	-13.2	-12.4	-12.6	-12.3	-10.1	...
ANZ world commodity price index	mth % chg	0.5	3.4	1.4	0.9	1.0	0.3	...
	ann % chg	-15.8	-12.2	-8.6	-6.7	-5.2	-6.1	...
Financial Markets								
NZD/USD	$[2]	0.8098	0.8174	0.8198	0.8192	0.8318	0.8375	*0.8389*
NZD/AUD	$[2]	0.7733	0.7867	0.7967	0.7875	0.7943	0.797	*0.8136*
Trade weighted index (TWI)	June 1979 = 100[2]	72.86	72.80	73.12	73.38	74.33	75.27	*76.26*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.64	2.64	2.65	2.64	2.65	2.66	*2.66*
10 year govt bond rate	%[2]	3.66	3.58	3.51	3.47	3.56	3.56	*3.81*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	19.5	17.0	17.2	26.4	22.7	...	39.4
ANZ - activity outlook	net %	26.4	29.3	25.5	31.6	31.4	...	37.6
ANZ-Roy Morgan - consumer confidence	net %	114.1	111.9	110.5	114.1	114.7	118.3	121.0
Performance of Manufacturing Index	Index	49.3	47.5	49.1	53.6	56.8	49.7	...
Performance of Services Index	Index	51.8	50.3	51.8	57.7	57.5	52.2	...

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