Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

May 2013

Executive Summary

- **The latest indicators point to continuing momentum in the economy in early 2013.**
- **Drought impacts aside, domestic factors look robust for the June quarter too.**
- **Widening global growth differentials prompt realignments in financial markets.**

After a strong finish to 2012, the latest signs point to ongoing momentum in the economy in early 2013. ANZ's regional activity index put in another strong showing in the March quarter, supporting the Budget forecast of solid 0.7% March quarter real GDP growth and, if anything, suggesting that the risks are on the upside. The GDP figures will be released on 20 June.

The strong showing in the ANZ indicator was owing in part to the pronounced turnaround in the Household Labour Force Survey in the March quarter. Following the weakness at the end of last year, employment jumped by 1.7% in the latest release – the largest quarterly increase on record – and the unemployment rate fell to a three-year low of 6.2%. While recent volatility in the survey is expected to remain a feature in coming quarters, the result brought it more in line with other labour market indicators including the Quarterly Employment Survey. Overall, the outcome reinforces the picture in the Budget forecasts of a subdued, but strengthening, labour market. This month's special topic takes a closer look at recent trends and developments in the youth labour market. Although 15-19 year olds were particularly adversely affected by the global financial crisis, their participation in education has increased.

Underlying measures of wage growth have weakened in recent quarters, although increased demand for labour has resulted in an offsetting increase in the number of hours worked. As a result, annual growth in weekly gross earnings has continued to outpace CPI inflation. The moderation in CPI inflation in recent quarters has boosted real wage growth and has lent additional support to households. The solid 0.5% increase in retail sales volumes in the March quarter points to ongoing private consumption growth in early 2013, albeit at a slower pace than the surge in the December quarter and in part a response to discounting by retailers.

Turning our attention to the current quarter, domestic factors appear relatively robust. Consumer confidence climbed to a three-year high in May and indicators from the manufacturing and services sectors point to continued expansion in activity too. While the lingering impacts of this summer's drought will detract from growth in the middle of the year, impetus from the Canterbury rebuild and the buoyant housing market are expected to help GDP growth to gather momentum going into 2014.

Fresh from hitting a post-float high in April, a more positive outlook for the US economy has prompted a realignment in the New Zealand dollar and other global financial markets over the past month. The latest developments could be a turning point in the outlook for the US economy and for the value of the New Zealand dollar.

New Zealand Government

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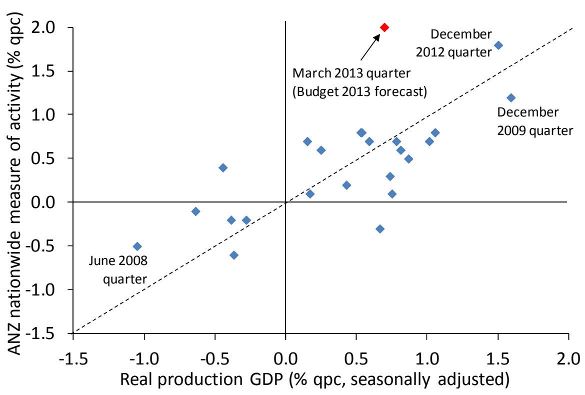
Analysis

The economy appears to have maintained momentum into the March quarter, supported by continued growth in private consumption on the back of a subdued, but strengthening, labour market. While the lingering impacts of this summer's drought will detract from growth during the middle of the year, domestic indicators of activity appear relatively robust. As in the Budget forecasts, we expect ongoing impetus from the Canterbury rebuild and more confident households and firms to help GDP growth gather momentum into 2014. Fresh from hitting a post-float high in April, a more positive outlook for the US economy has prompted a realignment in the NZ dollar and other financial markets over the past month, possibly marking a turning point.

ANZ Regional Trends survey points to solid growth in the March quarter

After the strong finish to 2012, the economy appears to have carried momentum into the start of 2013. Twelve of the fourteen regions in the ANZ's Regional Trends survey recorded back-to-back increases in activity in the March quarter, with the strongest pick-up recorded in Canterbury. The nationwide measure of activity rose by 2.0% in the quarter – marginally up from the 1.8% growth recorded in the December quarter, which was slightly higher than the 1.5% quarterly increase in GDP (Figure 1).

Figure 1 – ANZ Regional Trends vs. GDP growth



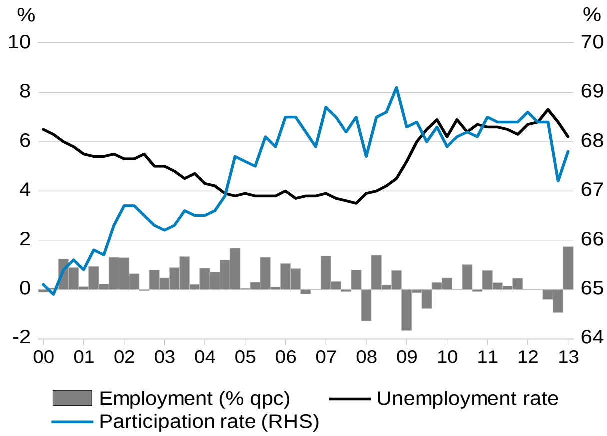
Sources: ANZ, Statistics NZ, the Treasury

We would caution against putting too much emphasis on one indicator. Nonetheless, the strong showing supports the Budget forecast of solid 0.7% growth in the March quarter and, if anything, suggests that the risks to our pick lie on the upside. March quarter GDP figures will be released on 20 June.

Bounce-back in the HLFS...

The strong showing in the ANZ indicator is owing in part to the marked turnaround in the Household Labour Force Survey (HLFS) in the March quarter (Figure 2). (The ANZ survey tracks changes in employment and unemployment by region.) This was in part a reversal of the weakness at the end of last year. Having fallen by 21,000 (0.9%) in the December quarter, the number of people in employment jumped by 38,000 (1.7%) in the March quarter – the largest quarterly rise since the survey began in 1986. The increase in employment was driven by people in full-time work, leading to a strong pick-up in the number of hours worked in the quarter.

Figure 2 – HLFS indicators



Sources: Statistics NZ, the Treasury

After falling by a record 1.2%-points in the December quarter, the participation rate also bounced back in the latest release. Still, it only reversed part of its previous fall and the rate remained 0.8%-points lower than the corresponding quarter a year ago. Around half of this gap reflects lower participation in the labour force of youths in the 15-24 age range. (This month's special topic takes a closer look at trends and developments in the youth labour market.)

The net result was that the unemployment rate fell sharply from 6.8% to 6.2% – its lowest level since the June 2009 quarter. This improvement was stronger than the gradual and steady decline expected in the Budget forecasts and brought the unemployment rate down to where we expected it to be at the end of this year. However, given ongoing volatility in the survey, we remain cautious of reading too much into any single outturn. The more medium-term outlook contained in the Budget forecasts remains appropriate, including a further decline in the unemployment rate to 5.9% by the end of 2014.

...brought it in line with other indicators

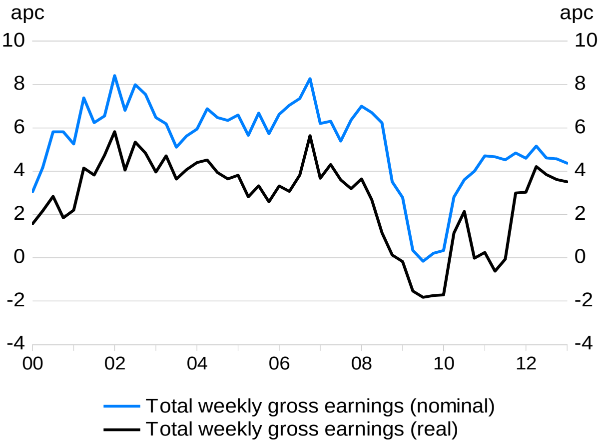
In any case, the March quarter HLFS release brought it more in line with the other labour market indicators. While annual growth in HLFS total employment continued to lag behind its 'filled jobs' counterpart in the Quarterly Employment Survey (QES) in the March quarter, it at least climbed back into positive territory. A more comparable series of HLFS employment, produced by Statistics New Zealand to reconcile some of the major conceptual differences between the HLFS and QES measures such as the differing coverage of the agricultural sector and self-employment, showed stronger annual employment growth. Meanwhile, the large increase in the HLFS actual hours worked series in the March quarter also brought it more in line with the QES hours paid series. Annual growth in the HLFS actual hours worked series jumped from -0.9% in December to 3.0% in March.

Solid weekly earnings growth...

Underlying wage pressures remain moderate, and have weakened in recent quarters in line with subdued price pressures in the economy. Annual growth in QES average hourly earnings slowed to just over 2% in the March quarter – the slowest rate in over two years. This fits in well with other signs of relatively benign cost pressures for firms. The capital goods price index fell by 0.1% in the March quarter and rose by only 0.8% compared to the corresponding quarter a year ago. The biggest downward influence in annual terms came from lower prices for plant, machinery and equipment, which are typically imported and therefore become cheaper when the New Zealand dollar appreciates. Meanwhile, both the input and output price components of the producer price index rose by 0.8% in the March quarter, leaving them broadly unchanged from a year ago.

However, given the increase in hours worked, annual growth in gross weekly earnings remained robust and within the 4-5% range that it has occupied for the past two years or so. Such growth has been easily outstripping the pace of CPI inflation, meaning that real weekly earnings have been rising too. Following the moderation in CPI inflation over recent quarters, annual gross weekly earnings grew by 3.5% in real terms in the March quarter – broadly in line with their average pace during the early-mid 2000s (Figure 3).

Figure 3 – Total weekly gross earnings



Sources: Statistics NZ, the Treasury

...points to solid consumption growth

In keeping with the Budget forecasts, we expect private consumption to continue to grow broadly in line with incomes over the coming years. Retail trade volumes rose by a solid 0.5% in the March quarter following a 1.9% increase in December. Ten of the fifteen industry sectors in the survey reported positive sales volume growth in the quarter, led by a 5.8% increase in non-store and commission-based retailing, which includes online shopping. The earthquake rebuild supported a 1.2% increase in the sales of hardware, building and garden supplies which are now 10.6% higher than a year ago. Such sales were particularly strong in Canterbury and Auckland, in keeping with rebuilding and strong housing market activity. We estimate that such sales accounted for around a quarter of annual growth in nominal retail sales in the March quarter.

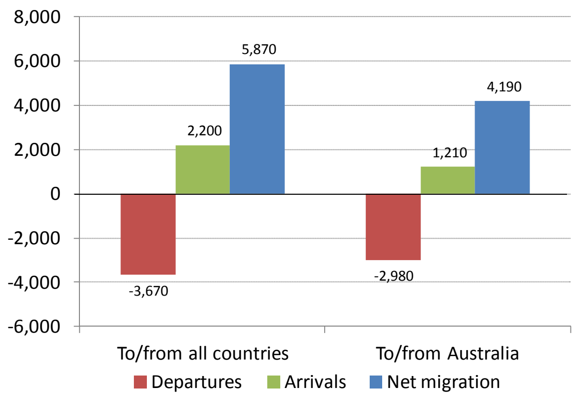
That said, consumers still seem to need some encouragement to spend. The value of retail sales in the March quarter implied a 0.3% reduction in retail prices in the quarter compared to a year ago. Falling prices for retail goods contributed to the subdued March quarter CPI too, particularly for imported consumer goods, reflecting the elevated New Zealand dollar. As a result, while we expect private consumption growth to have remained solid in the March quarter, we expect a moderation from the pace seen in the December quarter, as in the Budget forecasts.

Outlook robust for the June quarter...

There are only limited data available for the June quarter so far, but what data we do have indicate that domestic conditions remained robust going into the middle of the year. The headline ANZ-Roy Morgan Consumer Confidence Index rose for the second consecutive month in May, taking it to a three-year high. Moreover, the value of core retail items paid for by electronic cards rose by 1.1% in April, led by spending on clothing reflecting some catch-up from the warm months over the summer. While such transactions are only a subset of total consumer spending, the result suggests that private consumption has maintained some degree of momentum into the June quarter.

The marked positive turnaround in net permanent and long-term migration in recent months may also lend some support to private consumption throughout this year. Having registered a small net outflow during the 2012 calendar year, there was a seasonally-adjusted net inflow of 1,600 migrants in the April month alone. The turnaround in net migration since the end of last year has been driven by fewer departures, mainly to Australia following a moderation in its growth outlook (Figure 4).

Figure 4 – Annual change in permanent and long-term migration (2013 year-to-date compared to same period in 2012)



Sources: Statistics NZ, the Treasury

Meanwhile, business surveys in May continued their recent upward trend as well. At 54.5 and 56.1 respectively, the BNZ-BusinessNZ Performance of Manufacturing Index (PMI) and the Performance of Services Index (PSI) both remained consistent with steady expansion in the manufacturing and services sectors.

...with some upside risks to tax forecasts

The robust outlook for the domestic economy is in keeping with the picture from the latest tax outturns from April.[1] Core crown tax revenue in April was 1% higher than forecast in the Budget, driven mainly by higher-than-expected corporate tax revenue. Such strength reflected a combination of some revenue being booked a month or two earlier than expected, which is therefore expected to reverse out over the quarter as a whole, as well as higher-than-expected profitability. Overall, April's outcome presents upside risks to the tax revenue forecasts for the current fiscal year.

Drought impacts to detract from growth...

As detailed in the Economic Outlook chapter of the *2013 Budget Economic and Fiscal Update*, lingering and delayed impacts of this summer's drought will detract from real GDP growth in the middle of the year.

The latest signs from slaughter schedules suggest that the negative impacts on meat processing may be more evenly spread between the June and September quarters than assumed in our drought estimates. However, our overall assessment of the impact of the drought is unchanged. Compared to the situation if there was no drought, it is estimated that annual real GDP growth in 2013 will be around 0.7%-points slower.

The drought-induced front-loading of meat slaughter, and the subsequent increase in exports, was clearly visible in April's merchandise trade data. Higher meat exports (+11.4%) were the driving factor behind the 2.2% annual increase in total goods export values in April.

The corresponding value of imports rose by 7.4%, driven mainly by a spike in petrol imports (which can fluctuate wildly on a monthly basis depending on the timing of fuel shipments). Imports of capital and consumption goods both fell in annual terms. All told, while the trade balance posted a surplus in the April month of $157m, this was the smallest April-month surplus since 2008. While it is difficult to read much into what the April data mean for the June quarter as a whole, they appear broadly in line with the Budget forecast of a narrowing in the annual goods surplus in the Balance of Payments.

...but momentum to carry into 2014

Looking further ahead, we expect ongoing impetus from the Canterbury rebuild and a buoyant housing market to see the pace of GDP growth gather momentum into 2014. Developments in the world economy and in financial markets are also likely to be positive for the New Zealand economy.

Changing tides in global financial markets

The large movements that occurred in global financial markets during the past month point to a divergence in the outlook for the world's major economies. Equities strengthened in the US, Europe and Japan early in the month, some to all-time highs,

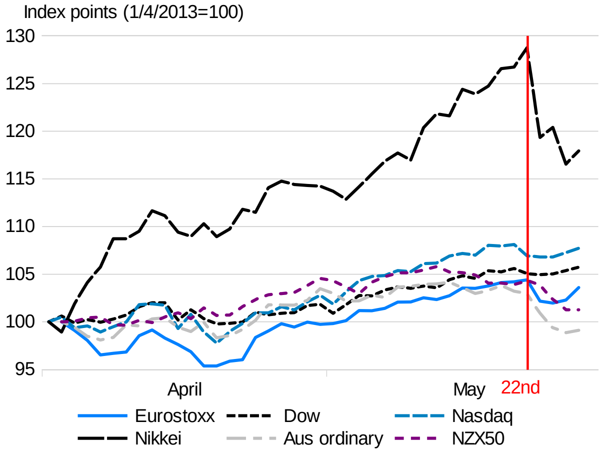
1 Financial Statements of the Government for the ten months ended 30 April 2013 were released at 10am on 4 June and are available on the Treasury website.

on better-than-expected US data and policy moves elsewhere. However, markets saw a downward correction later in May, as expectations mounted of an early US tapering of monetary stimulus.

Major equities buoyant earlier in the month...

In keeping with their recent trend, global equities increased further in early May (Figure 5). From early April to mid-May, all three major US indices rose to all-time highs, while the Nikkei surged 28.8%. Despite the ongoing economic weakness in the euro area, the Eurostoxx rose 4.4%, although it is still to regain its pre-Lehman level.

Figure 5 – Movements in equity indices

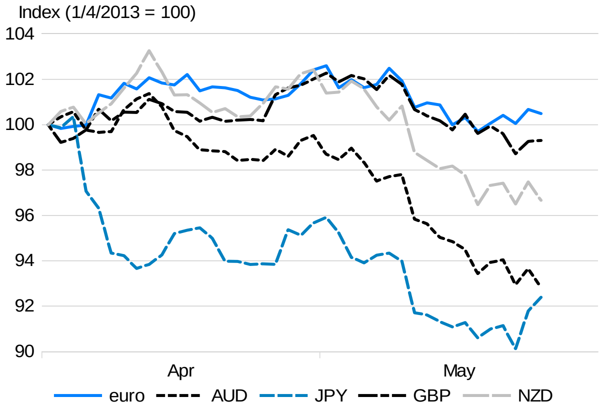


Sources: Haver, the Treasury

Rising stocks came at the expense of safe-haven assets. US and Japanese government bond yields increased as investors shifted capital into growth-oriented equities. Precious metal prices have plummeted too, with gold and silver prices down by 12.8% and 19.3% respectively over the past two months.

The divergence in global growth prospects also prompted major changes in exchange rates (Figure 6). The USD strengthened against most other currencies and, as a result of the Bank of Japan's monetary easing, the yen weakened to more than 100 units to the USD – a 9.4% depreciation since the start of April (-15% since January). The AUD fell by around 5% against the USD in May, and the euro has been easing. Resource-based currencies such as the AUD were also affected by falling commodity prices.

Figure 6 – Currency movements against the USD



Sources: Haver, the Treasury

...supported by unexpected US strength...

The major moves in markets early in the month chiefly reflected more positive sentiment about the US economic recovery. Following positive data earlier in the year, key US indicators suggested ongoing economic strength despite fiscal consolidation. This bolstered sentiment in global financial markets.

Recoveries in the US housing and labour markets continued. The Case-Shiller house price index has been rising steadily, with prices up 10.9% in the year to March. Housing permits (+14.3% in April) have been strong for many months, and, although housing starts were weak in April (-16.5%), they are expected to rebound in line with building permits. Job growth was robust, with non-farm payrolls up 165,000 in April, while the February increase was revised up to 332,000; the unemployment rate fell 0.1% points to 7.5%.

Positive developments in the housing and labour markets fed through into household optimism. The University of Michigan consumer confidence index rose 7.3 points to 83.7 in May, the highest since 2007. The Conference Board consumer confidence measure also rose 7.2 points to 76.2. Private spending during the March quarter rose by 0.8% (outpacing the 0.6% gain in total GDP) and retail sales grew steadily (+3.7% in the year to April). Government spending cuts and the income tax hike appear to have had a much more limited drag on demand than first expected.

...and better-than-expected data outturns elsewhere

The rally in global financial markets was also bolstered by better-than-expected data outturns from other major economies too. The Japanese economy grew a solid 0.9% in the March quarter, in anticipation of the new stimulus policies from the Abe government, and it appears to have maintained momentum in the June quarter too. The UK escaped a triple-dip recession with its 0.3% GDP growth in the March quarter, showing some signs of recovery. Meanwhile, although euro area GDP contracted by 0.2% in the March quarter, the latest indicators have improved slightly: industrial production (IP) grew 0.9% in March, and the May flash estimates of the manufacturing and services PMIs rose 1.1 points to 47.8, and 0.5 points to 47.5 respectively. These outturns helped lift European and Japanese equities.

Monetary policy remains stimulatory...

Nonetheless, at least part of the global financial market rally has been founded on expectations of continued stimulatory monetary policy settings. Following the Bank of Japan's announcement of its unconventional, large-scale quantitative easing (QE) programme in April, several major central banks cut policy rates in the past month, most from already-low starting points. The ECB reduced its policy rate from 0.75% to 0.5%, the RBA from 3.0% to 2.75%, and the Bank of Korea from 2.75% to 2.5%. The Bank of India, the Bank of Thailand, and the Bank of Israel have also cut rates. These moves were intended to revive economic activity, especially for the euro area and Australia, and have driven the divergent movements between the USD and other major currencies.

...but global growth outlook is diverging

The outlook for many emerging market economies remained reasonably subdued too – particularly for China. The flash estimate of the HSBC PMI fell to 49.6, indicating below-average growth in industrial production and no pick-up in economic growth from March's 7.7% annual increase. The softer outlook for China, combined with some weak domestic data, contributed to a less positive outlook for the Australian economy. Consumer confidence fell sharply following the Federal Budget, the AIG services PMI fell 5.5 points to 44.1 in April, and figures indicated that the peak in mining investment has passed. Markets anticipate further cuts in the RBA's policy interest rate.

Prospect of the Fed tapering QE...

The positive US data led to expectations that the Federal Reserve (Fed) is likely to begin tapering QE soon, triggering a correction in global financial markets towards the end of the month. Assuming no significant deterioration in the labour market, Fed chairman Bernanke signalled that the pace of asset purchases may soon be slowed, confirming many analysts' expectations of a gradual withdrawal of stimulus in late 2013 or early 2014. Other Fed board members have also signalled gradual tapering of QE, although the meeting minutes and policy statements have been more balanced.

...leads to a downward correction in equities...

Global equities bore the brunt of the correction (Figure 5 above). US equities sustained a modest reversal on 22 May. European equities and the Nikkei subsequently suffered a substantially larger reversal on 23 May; the Nikkei plummeted 7.3% in one day, also partly owing to the below-50 reading for the Chinese HSBC PMI in May. However, these falls may also be correcting for some over-optimism. Markets are likely to remain volatile, but the recovery is expected to continue.

The prospect of the Fed tapering its QE programme and eventually raising its policy rate reinforced previous increases in US bond yields too (10-year Treasury yields rose to 2.2%), and underpinned a further strengthening of the USD against the euro, the yen and the AUD. Despite the earlier appreciation of the NZD, the kiwi fell close to 80 cents against the USD towards the end of the month, a fall of nearly 6% since the beginning of May. Much of this fall was in line with the fall in the AUD, although the NZ unit has gained 5% on the cross rate since early April.

...and may mark a turning point for the NZD

Developments in the past month show both a strengthening recovery in the US economy and some prospect of a pick-up in the other major developed economies. However, they also show that positive sentiment in financial markets is still dependent on the continuation of stimulatory monetary policies. While a strengthening recovery will necessitate the eventual withdrawal of such stimulus, developments over the past few weeks indicate that markets are not yet ready for that to happen.

The prospect of a robust US (and global) recovery brought a reappraisal of the value of the NZD, which fell from a post-float high of 86.3 US cents in mid April to 80.6 by the end of May. A stronger US economy would eventually lead to tighter monetary policy and higher US interest rates, which would take some of the upward pressure off the NZD. It is too early to be definitive, but May's developments could be a turning point in the outlook for the US economy and for the value of the New Zealand dollar.

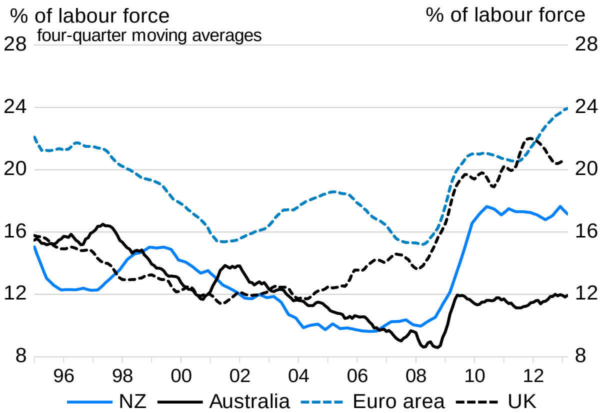
Special Topic: Trends in youth labour markets

The subdued nature of the New Zealand labour market has been the subject of attention over the last few years, given its importance for the living standards of New Zealanders. This special topic examines the youth segment of the labour market (15-24 year olds). It finds that 15-19 year olds have been most affected during the aftermath of the global financial crisis (GFC) with higher unemployment and lower participation rates. However, the proportion in education has risen.

Youth unemployment has risen around the world...

The unemployment rate for 15-24 year olds rose substantially owing to the effects of the GFC, as illustrated below in Figure 7. This has not been abnormal in the international context, with youth unemployment rates rising significantly in most countries, including the euro area, UK, and, to a lesser extent, Australia. Some countries within the euro area have seen even larger problems, with Spain's youth unemployment rate above 55% and Greece's over 62%. This global phenomenon has generated much debate and concern.[2]

Figure 7 – Youth unemployment rates



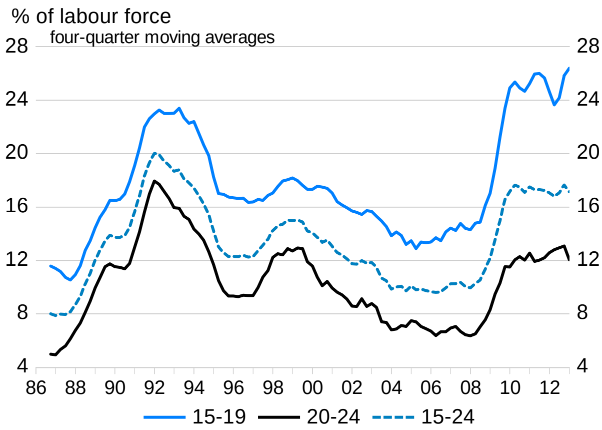
Sources: Statistics New Zealand, Haver, the Treasury

...as youth were most affected by the recession and deteriorating labour market

Youth have also been most affected by the economic downturn in New Zealand. The aggregate unemployment rate rose 3.6% points between the September 2007 and 2012 quarters; 15-19 and 20-24 year olds made disproportionately large contributions to the unemployment rate increase, adding 0.8% and 0.7% points respectively.

The GFC hit 15-19 year olds particularly hard, with their unemployment rate increasing around 11% points to about 26%, above the highs seen during previous recessions. The 20-24 unemployment rate increased around 6% points to 13%, below previous recessions (Figure 8). The NEET rate (youth not in employment, education or training), which is arguably a better measure of youth labour market performance, rose less following the GFC (about 3% points for 15-24 year olds). This lesser increase, as discussed later, is owing to the increased proportion of 15-19 years who were undertaking study.

Figure 8 – NZ youth unemployment rates



Sources: Statistics New Zealand, the Treasury

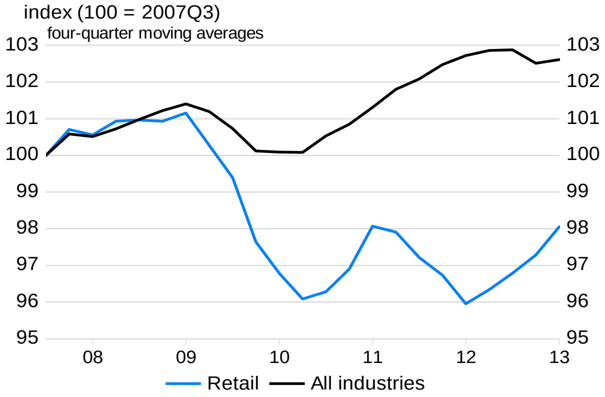
During an economic downturn such as the GFC, there is typically more capacity in the labour market, as workers are laid off. Given a choice, most employers will hire a more experienced, older worker, than an inexperienced young person, especially if paying the same or a similar wage. Evidence of this effect can be seen from the fall in employment for 15-19 year olds following the GFC, while employment of 20-24 year olds remained relatively constant. There is also evidence of additional older people working since the GFC, with the employment rate for those 65 and over rising from 14% to 20% since 2007. As both younger and older workers tend to be more concentrated in part-time employment, this suggests that firms may have substituted towards the 65-plus group in addition to 20-24 year olds.

Another reason for youth being disproportionately affected by the recession is the industries they are typically employed in. Young, unskilled workers tend to be employed in retail and food service. Figure 9 below illustrates that employment in the retail trade, accommodation and food services industry fell steeply and then grew more slowly than total employment. The retail industry is

2 For example, http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-why-youth-unemployment-so-high

usually hit hard during a recession, as consumer spending decreases in line with falls in income and confidence. This goes some way to explaining why youth employment has declined steeply and has not recovered.

Figure 9 – Industry employment



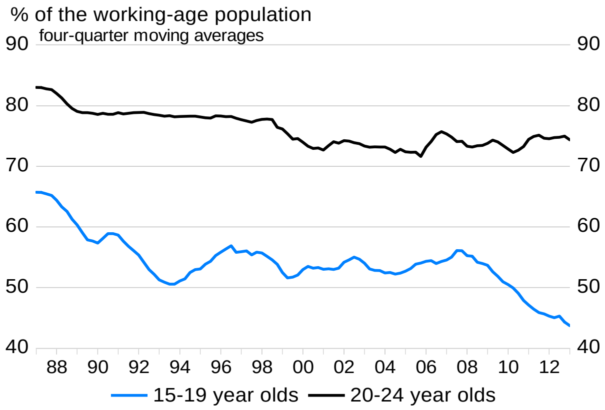
Sources: Statistics New Zealand, the Treasury

It should also be noted that the youth minimum wage for 16-17 year olds was replaced by the New Entrant minimum wage in 2008, which is estimated to have had a detrimental effect on employment for this age group.[3]

15-19 age group participation declines significantly...

A key trend following the GFC is the decline in the participation rate for 15-19 year olds. The participation rate for this age group has fallen around 10% points to about 45% (Figure 10).

Figure 10 – Youth participation rates



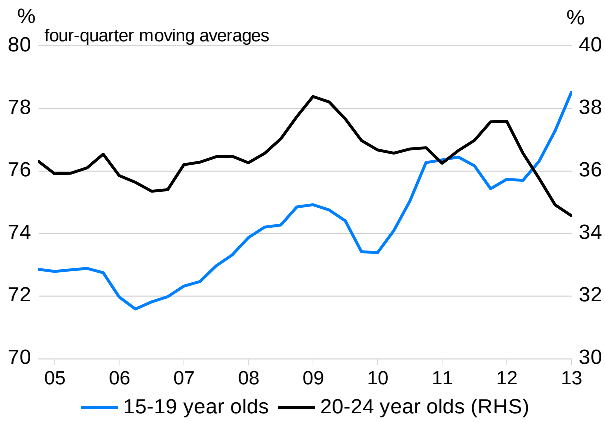
Sources: Statistics New Zealand, the Treasury

This could be interpreted as a "discouraged worker" effect, where people give up looking for work and leave the labour force, lowering the participation rate. 20-24 year olds, on the other hand, have continued to participate in the labour market, consistent with the lesser impact on their employment and unemployment.

...but the proportion in education has risen

Usually a fall in the participation rate is a negative for the labour market, as the pool of workers available to firms is lower and fewer people have confidence to seek work and gain income. However, in this case, there appears to be a positive aspect in that a large number of the 15-19 year olds who have left the labour force are instead participating in education. Figure 11 shows the proportion of youth studying, with the proportion of 15-19 year olds in education increasing significantly over the past seven years, including prior to the GFC. This is backed up by the increased numbers enrolled at tertiary education providers. This may have longer-term benefits of a more productive and skilled labour force, although these young people still have to make the transition to employment. Further, the number of 15-19 year olds who are not in employment, education or training has returned to its pre-GFC level, although the working-age population for this group has fallen over this time, leaving the NEET rate slightly higher. The proportion of 20-24 year olds studying has stayed fairly constant until recently, when it has fallen.

Figure 11 – Proportion of youth in education



Sources: Statistics New Zealand, the Treasury

3 http://www.dol.govt.nz/publication-view.asp?ID=387, and also see http://www.treasury.govt.nz/publications/research-policy/wp/2004/04-03

Overall, while there have been some recent signs of a strengthening in the labour market, conditions for youth, in particular 15-19 year olds, remain difficult. We expect conditions to improve over time as moderate economic growth continues and demand for labour increases. While there are some positive aspects in the long run of having a higher proportion of youth in education, this must be balanced against the effects of many youth missing out on valuable workplace experience.

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

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New Zealand Key Economic Data

30 May 2013

Quarterly Indicators

		2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.8	0.4	1.0	0.2	0.2	1.5	...
	ann ave % chg	0.8	1.4	1.9	2.4	2.4	2.5	...
Real private consumption	qtr % chg[1]	1.2	0.3	0.6	0.2	0.0	1.5	...
	ann ave % chg	1.7	2.0	2.5	2.6	2.2	2.1	...
Real public consumption	qtr % chg[1]	0.3	0.4	-1.2	1.1	0.1	-0.7	...
	ann ave % chg	2.0	2.0	1.8	1.5	1.0	0.3	...
Real residential investment	qtr % chg[1]	1.1	4.3	1.3	5.5	5.6	2.0	...
	ann ave % chg	-11.5	-11.2	-10.7	-2.7	5.7	10.9	...
Real non-residential investment	qtr % chg[1]	2.7	-0.1	3.7	3.1	-4.1	2.2	...
	ann ave % chg	9.7	7.5	6.0	5.9	4.7	5.4	...
Export volumes	qtr % chg[1]	0.3	4.1	-2.4	-1.2	4.2	0.9	...
	ann ave % chg	1.8	2.7	2.6	2.4	3.1	2.1	...
Import volumes	qtr % chg[1]	1.7	-2.4	4.2	-3.7	2.1	-2.0	...
	ann ave % chg	10.6	6.6	6.1	3.6	1.3	1.4	...
Nominal GDP - expenditure basis	ann ave % chg	4.8	3.9	3.8	4.1	3.0	2.3	...
Real GDP per capita	ann ave % chg	-0.3	0.4	1.0	1.6	1.7	1.8	...
Real Gross National Disposable Income	ann ave % chg	2.3	1.8	2.2	1.3	1.3	1.0	...
External Trade								
Current account balance (annual)	NZ$ millions	-8,826	-8,268	-9,033	-10,087	-9,861	-10,509	...
	% of GDP	-4.4	-4.0	-4.4	-4.8	-4.7	-5.0	...
Investment income balance (annual)	NZ$ millions	-10,595	-10,750	-10,443	-10,899	-10,226	-9,791	...
Merchandise terms of trade	qtr % chg	-0.6	-1.5	-2.3	-2.5	-3.2	-1.4	...
	ann % chg	3.4	1.0	-2.1	-6.7	-9.2	-9.1	...
Prices								
CPI inflation	qtr % chg	0.4	-0.3	0.5	0.3	0.3	-0.2	0.4
	ann % chg	4.6	1.8	1.6	1.0	0.8	0.9	0.9
Tradable inflation	ann % chg	4.6	1.1	0.3	-1.1	-1.2	-1.0	-1.1
Non-tradable inflation	ann % chg	4.5	2.5	2.5	2.4	2.3	2.5	2.4
GDP deflator	ann % chg	2.9	0.4	-0.2	1.9	-1.4	-2.7	...
Consumption deflator	ann % chg	3.2	1.6	1.3	1.2	1.0	0.9	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.1	0.5	0.0	0.0	-0.4	-0.9	1.7
	ann % chg[1]	1.1	1.6	0.9	0.6	0.0	-1.3	0.4
Unemployment rate	%[1]	6.5	6.3	6.7	6.8	7.3	6.8	6.2
Participation rate	%[1]	68.4	68.4	68.6	68.4	68.4	67.2	67.8
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.6	0.6	0.4	0.5	0.5	0.5	0.4
	ann % chg	2.0	2.0	2.0	2.0	1.9	1.8	1.8
QES average hourly earnings - total[5]	qtr % chg	1.2	0.1	1.4	0.1	1.1	-0.1	0.8
	ann % chg	3.2	2.8	3.8	2.9	2.8	2.6	2.1
Labour productivity[6]	ann ave % chg	-1.1	0.0	0.7	1.7	2.8	3.3	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	1.9	1.8	-0.3	0.7	0.1	1.2	0.6
	ann % chg	3.2	6.4	4.2	4.1	1.7	1.8	2.5
Total retail sales volume	qtr % chg[1]	1.8	1.4	0.2	1.2	-0.2	1.9	0.5
	ann % chg	2.8	5.7	4.2	4.7	2.2	3.2	3.5
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	112	101	102	100	103	111	111
QSBO - general business situation[4]	net %	24.6	0.1	13.0	-4.1	8.0	19.8	23.0
QSBO - own activity outlook[4]	net %	30.0	9.9	16.9	8.1	17.7	18.7	18.1

Monthly Indicators

		2012M11	2012M12	2013M01	2013M02	2013M03	2013M04	2013M05
External Sector								
Merchandise trade - exports	mth % chg[1]	7.3	-6.7	1.5	3.2	-1.0	1.5	...
	ann % chg[1]	-2.1	-4.2	-10.2	7.8	4.9	2.2	...
Merchandise trade - imports	mth % chg[1]	13.6	6.1	-14.8	15.6	0.7	-8.6	...
	ann % chg[1]	-1.6	-10.4	-6.3	1.6	-8.5	7.4	...
Merchandise trade balance (12 month total)	NZ$ million	-1389	-1155	-1288	-1060	-515	-694	...
Visitor arrivals	number[1]	215,160	219,460	214,510	224,590	227,380	232,350	...
Visitor departures	number[1]	212,260	218,850	218,190	221,270	230,830	235,010	...
Housing								
Dwelling consents - residential	mth % chg[1]	-5.1	10.2	-0.6	5.0	-8.4	18.5	...
	ann % chg[1]	19.8	22.5	19.5	28.1	-5.4	42.7	...
House sales - dwellings	mth % chg[1]	-0.8	-6.8	10.8	-3.9	-0.1	3.8	...
	ann % chg[1]	24.1	8.2	21.1	7.5	10.9	25.2	...
REINZ - house price index	mth % chg	1.4	-0.6	-1.0	1.6	2.4	0.8	...
	ann % chg	7.3	6.7	7.2	8.1	8.6	9.8	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.6	0.3	0.3	0.8	-0.4	0.6	...
	ann % chg	6.2	3.6	5.8	2.5	4.2	5.2	...
New car registrations	mth % chg[1]	-4.0	0.2	3.5	1.2	-0.1	7.4	...
	ann % chg	8.4	3.0	6.5	9.4	11.2	17.8	...
Migration								
Permanent & long-term arrivals	number[1]	7,340	7,340	7,080	7,210	7,720	7,780	...
Permanent & long-term departures	number[1]	6,750	7,480	6,660	6,450	6,430	6,210	...
Net PLT migration (12 month total)	number	-1,567	-1,165	12	1,195	2,542	4,776	...
Commodity Prices								
Brent oil price	US$/Barrel	109.41	109.56	113.02	116.19	108.49	102.53	*102.64*
WTI oil price	US$/Barrel	86.66	88.25	94.69	95.32	93.05	92.07	*95.00*
ANZ NZ commodity price index	mth % chg	0.9	-0.1	-0.5	0.4	8.5	10.2	...
	ann % chg	-12.6	-12.3	-10.2	-5.9	2.2	17.4	...
ANZ world commodity price index	mth % chg	0.9	1.0	0.3	1.1	7.4	12.6	...
	ann % chg	-6.7	-5.2	-6.1	-4.9	3.9	22.5	...
Financial Markets								
NZD/USD	$[2]	0.8192	0.8318	0.8375	0.8389	0.8279	0.8473	*0.8283*
NZD/AUD	$[2]	0.7875	0.7943	0.797	0.8136	0.8013	0.8158	*0.8319*
Trade weighted index (TWI)	June 1979 = 100[2]	73.38	74.33	75.27	76.26	76.15	78.05	*77.41*
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	2.65	2.66	2.66	2.64	2.65	*2.64*
10 year govt bond rate	%[2]	3.47	3.56	3.56	3.81	3.72	3.34	*3.35*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	26.4	22.7	...	39.4	34.6	32.3	...
ANZ - activity outlook	net %	31.6	31.4	...	37.6	32.4	30.3	...
ANZ-Roy Morgan - consumer confidence	net %	114.1	114.7	118.3	121.0	115.0	119.2	123.7
Performance of Manufacturing Index	Index	53.6	56.8	49.7	51.1	53.8	53.5	53.4
Performance of Services Index	Index	57.7	57.5	52.2	50.5	57.0	56.3	54.9

qtr % chg	quarterly percent change	1	Seasonally adjusted
mth % chg	monthly percent change	2	Average (11am)
ann % chg	annual percent change	3	Westpac McDermott Miller
ann ave % chg	annual average percent change	4	Quarterly Survey of Business Opinion
		5	Ordinary time
		6	Production GDP divided by HLFS hours worked

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