Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

March 2014

Executive Summary

- **Real GDP grew by a robust 0.9% in the December 2013 quarter, and the current account deficit narrowed sharply.**
- **All signs remain consistent with the economy maintaining significant momentum in the first half of 2014.**
- **International economic data were broadly positive, despite financial market jitters.**

The two major data releases for the December quarter confirmed previous signs of a strong end to 2013 for the economy. Real production GDP grew by 0.9% from the September quarter and by 3.1% from a year ago, with a continuing broad-based pick-up in activity. Meanwhile, the current account deficit narrowed markedly, to 3.4% of GDP, driven by a surge in dairy export volumes.

All signs remain consistent with the economy maintaining an above-potential pace of growth in the first half of 2014. Confidence in the business sector remains buoyant: the ANZ's Business Outlook measure reached its highest level since March 1994 in February and other indicators remain rooted in expansionary territory too. It is a similar picture in the household sector as well. Westpac's seasonally-adjusted consumer confidence measure hit a nine-year high in the March quarter and there are clear signs of a pick-up in discretionary spending.

Ongoing increases in net inward migration flows will also continue to add to aggregate demand in the near term. The Reserve Bank indicated that the 25 basis point increase in the Official Cash Rate (OCR) in March is likely to be the start of a 200 basis point rise over the next couple of years. With interest rates in most developed economies expected to remain at record lows for another year at least, the trade-weighted exchange rate reached a post-float high in the middle of March.

Looking slightly further out, we expect GDP growth to ease somewhat towards the end of the year and into 2015, but to remain at a robust pace. The elevated exchange rate will continue to weigh on exchange-rate sensitive sectors too (not least by further constraining spending by tourists). Meanwhile, the combined 10% fall in global dairy prices over the past three fortnightly auctions is a reminder that dairy prices can go down as well as up.

International economic data from the past month were mostly positive, although credit risks in China and developments in Ukraine caused some volatility in financial markets.

This month's Special Topic looks at the issue of New Zealand's trade concentration, particularly in light of China's rise in importance as a trade partner in recent years.

New Zealand Government

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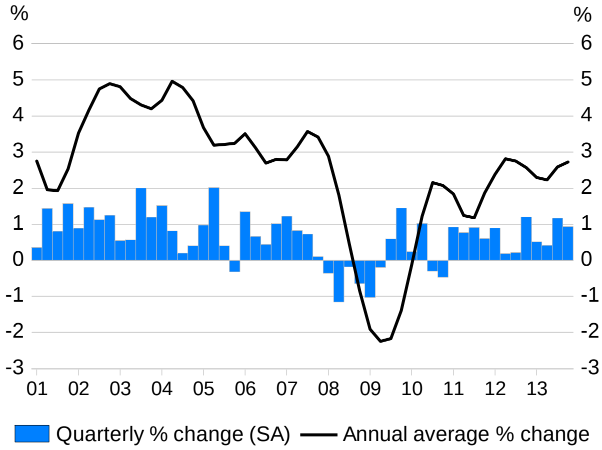
Ongoing positive signs from the economy

The two major data releases for the December 2013 quarter confirmed previous indications of a strong end of the year for the economy. All signs indicate that the economy continued to grow at an above-potential rate of growth in the first quarter of 2014. Business and consumer confidence remains buoyant, and increasing net external migration gains will continue to support aggregate demand too. With the monetary tightening cycle now underway, the trade-weighted exchange rate (TWI) hit a post-float high in recent weeks (although it has retreated a bit since).

Real GDP continues at above-potential pace...

In keeping with market expectations, real production GDP grew by 0.9% in the December 2013 quarter, following a downwardly-revised 1.2% increase in the previous period. Annual average growth rose slightly, to 2.7% from 2.6% in the September quarter (Figure 1).

Figure 1: Real GDP



Source: Statistics NZ

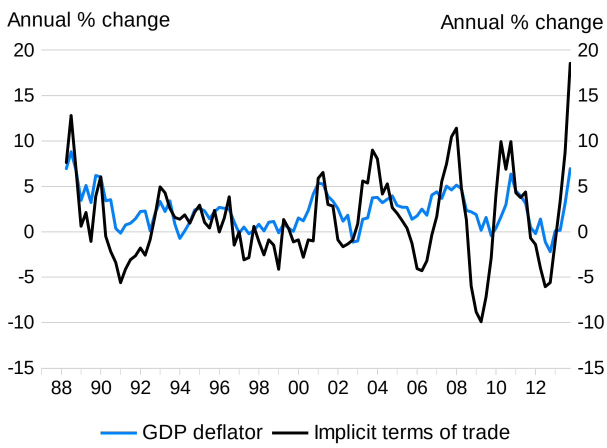
Activity increased on a quarterly basis in 12 of the 16 industry groups but the largest positive contributions came from the manufacturing, mining, and wholesale trade industries, which each contributed 0.2%-points to the headline rate. Construction activity rose only modestly in the quarter but annual growth increased to 7.6%. The two largest negative contributions to growth came from the business services and agriculture industries. Output in the former, which comprises around 9% of total GDP, fell for the second consecutive quarter, although it was still 2.9% higher than a year ago. Meanwhile, the decline in agricultural production followed the strong bounce-back in agricultural output in the September quarter from the early 2013 drought.

Real expenditure GDP grew by 0.6%, driven by private consumption and exports. Household consumption increased by 1.3%, reflecting higher spending on durables and services. The 5.4% quarterly increase in goods export volumes was driven by a 20.6% increase in dairy exports, although the total increase in exports was tempered by a 3.6% fall in services.

The other main components of expenditure GDP made smaller and broadly offsetting contributions to quarterly growth. That said, in keeping with the strong gains in the manufacturing and wholesale trade industries in the production-based accounts, investment in plant and machinery continued to grow strongly, up 7.5% in the quarter.

Export prices jumped by 4.6% in the quarter while import prices fell by 3.6% (driven by a 2.7% quarterly increase in the TWI). As a result, the implicit terms of trade rose by 8.2% in the quarter and by 18.6% from the December 2012 quarter (Figure 2). The increase in the terms of trade contributed to a pick-up in the GDP deflator and a 3.0% increase in nominal GDP – its fastest pace since mid-2005. That said, such growth has not delivered as much tax revenue recently as we forecast in the *Half Year Update*. While we can explain some of the variance, it is not clear yet how much is owing to timing or other issues.

Figure 2: Terms of trade and the GDP deflator

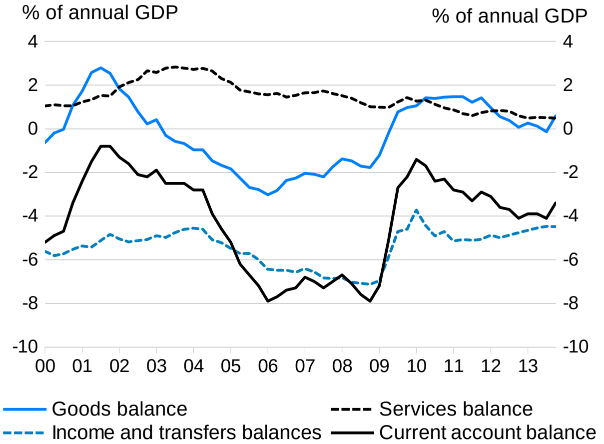


Source: Statistics NZ

...while the current account deficit narrows

Also in line with market expectations, the annual current account deficit narrowed sharply in the December quarter, to 3.4% of GDP from 4.1% in the previous quarter. As indicated by the more timely monthly trade data, the narrowing in the headline deficit was driven overwhelmingly by an improvement in the goods balance. This was partly a function of the surge in the terms of trade over the past year or so (recall that the official Overseas Trade Indices terms of trade measure reached a fresh 40-year high in the December quarter). However, having previously been held back by the lingering impacts of the early 2013 drought, the improvement was driven by the surge in goods export volumes visible in the expenditure GDP data. All told, having registered a small deficit in the September quarter, the annual goods balance posted a surplus of 0.6% of GDP in the December quarter (Figure 3).

Figure 3: Current account components



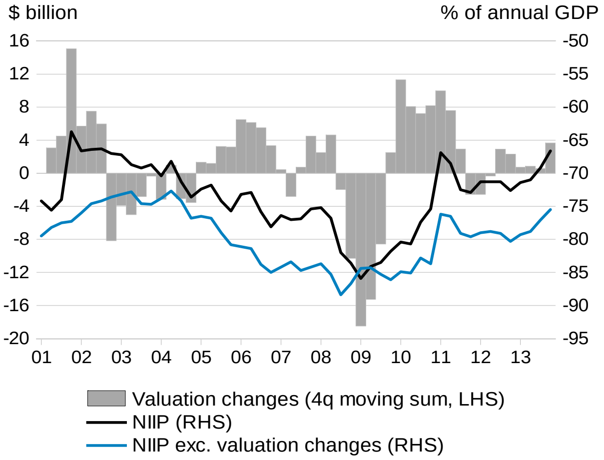
Source: Statistics NZ

By contrast, the other major components of the current account did not contribute to the narrowing of the headline deficit. The annual services surplus remained broadly steady in the region of 0.5% of GDP, with the higher exchange rate contributing to visitors spending less per day than they have in the past. We expect the recent strength of the NZD, particularly against the AUD, to continue to place downward pressure on visitor spending and the services balance over the coming year.

Meanwhile, having remained steady in the region of $2.2 billion for the past 15 months or so, the quarterly income deficit widened to $2.6 billion, driven by an increase in income outflows to foreign investors. This ties in with the strength of profits from the banking sector, and the wider pick-up in economic activity, at the end of last year. By contrast, having reached its highest level since late 2007 in the September quarter, New Zealanders' income from investment overseas fell slightly in the December period.

The net international liability position declined to 66.6% of GDP ($147.6 billion) at the end of last year – its lowest level as a proportion of GDP since September 2002. The change from the previous quarter was dominated by favourable valuation changes. Such valuation changes accounted for over two-thirds of the movement in the net international investment position (NIIP) over 2013, reflecting net market price changes, such as gains in overseas equity markets and the corresponding value of New Zealanders' international assets (Figure 4).

Figure 4: NIIP and valuation changes



Source: Statistics NZ

A bright start to 2014...

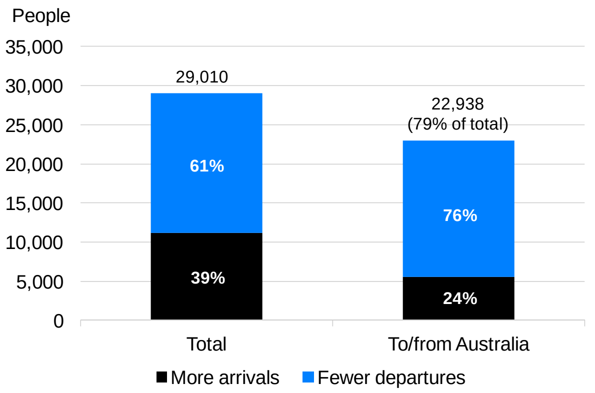
All signs indicate that the economy continued to grow at an above-potential rate in the first quarter of 2014. The ANZ Business Outlook survey surged to its highest level since March 1999 in February (data for March will be released on the same day as this report), while the seasonally-adjusted BNZ-BusinessNZ Performance of Manufacturing Index made it eighteen consecutive months in expansionary territory in February. And even though the corresponding Performance of Services Index dropped sharply in February, the series is volatile and the bigger picture is that it remains in expansionary territory too. The Treasury's recent discussions with a range of businesses in the main city centres supported this positive outlook.

It is a similar picture for the household sector as well, with Westpac's seasonally-adjusted consumer confidence measure reaching a nine-year high in the March quarter. There are clear signs of a pick-up in discretionary spending, including on hospitality, visible in February's Electronic Card Transaction data. So-called discretionary spending is frequently the last spending area to pick up in a cycle, and underlines the broad-based expansion and embedded activity in the economy.

...alongside further gains in net migrant flows

The ongoing pick-up in net inward migration flows is another factor that will continue to add to aggregate demand in the near term. There was a (seasonally-adjusted) net inflow of 3,470 permanent and long-term migrants in February. This took the annual net migration inflow to 29,000 – its highest rate in nine years – and the migration cycle is shaping up to be of a similar size to the previous one in the early 2000s. Around eighty percent of the increase in annual net migration since the start of 2013 reflects migrant flows to and from Australia (Figure 5).

Figure 5: Turnaround in external migration since the start of 2013

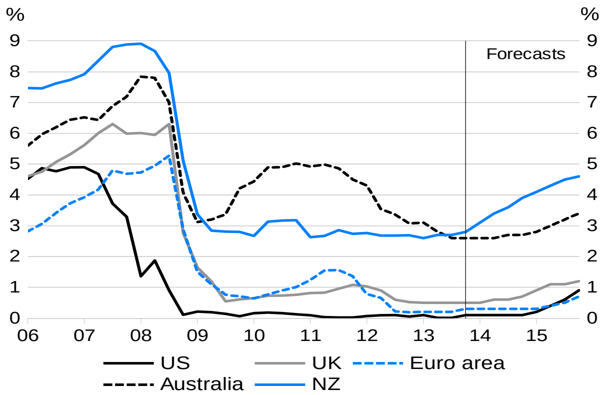


Source: Statistics NZ

Monetary tightening cycle underway...

The Reserve Bank indicated that the 25 basis point increase in the OCR in March is likely to be the start of a 200 basis point rise over the next couple of years. With short-term interest rates in the major economies expected to remain close to record lows for another year or so, the trade-weighted exchange rate reached a post-float high in the middle of March (Figure 6).

Figure 6: Short-term interest rates



Sources: Consensus Economics, Haver

...and will moderate the pace of expansion...

Looking slightly further out, we expect GDP growth to ease somewhat towards the end of the year and into 2015, but to remain at a robust pace. This outlook is dependent upon monetary policy tightening having its intended effect of starting to slow domestic demand growth. We also expect net trade to make smaller contributions to GDP growth than it did in the December quarter.

But there are a number of other factors that may also weigh on activity in parts of the economy over the coming year or so – particularly the recent increase in the (already elevated) exchange rate. While tourist arrivals remain strong – visitor numbers in February were the highest ever for a February month – the strong dollar is likely to continue to constrain tourists' daily spend. The strength of the dollar will also be a headwind for import-competing firms and some exporters. Meanwhile, the combined 10% fall in global dairy prices over the past three fortnightly GlobalDairyTrade auctions is a reminder that the current sweet-spot will come to an end as and when global supply increases (although prices are likely to remain elevated by historical standards).

...including in the housing market

The slight cooling in the housing market, linked to the Reserve Bank's introduction of loan-to-value (LVR) restrictions in October 2013, and the nascent monetary tightening cycle, is another factor that may weigh on private consumption growth later in the year.

Admittedly, the REINZ house price index increased by 0.9% in February in seasonally adjusted terms, driven by a 3.7% rise in the Auckland median price index. However, the median price measures appear to be affected at present by a change in the composition of house sales since the introduction of LVRs, with fewer sales taking place at the lower end of the market. Nationwide house sales, which show a strong positive relationship with house price inflation, fell by 5.7% in the month.

Stronger global activity amidst market jitters

Data released in March indicated that the recovery in the developed economies has regained its pace. In Australia, the rebalancing into the non-mining economy progressed, while momentum in the US economy appears strong despite weather-disrupted data. However, credit risks in China and the Ukraine crisis led to nervousness in markets.

Some rebalancing in the Australian economy...

The Australian economy grew 0.8% in the December quarter, bringing growth in 2013 to a historically soft 2.4% but still respectable amongst developed economies. Solid consumption reflected the pick-up in retail sales, which expanded further in January by 1.2%. However, private investment fell 2.3%. Positively, the 1.0% growth in housing investment and a surge in approvals in January indicate a healthy supply response to higher house prices, driven in turn by low interest rates. Net exports, led by iron ore, contributed positively to the quarterly growth outturn. Growth is being rebalanced from mining investment into other sectors and exports.

Employment rebounded 0.4% in February, but analysts still expect the unemployment rate (at 6.0%) to rise over 2014. The soft labour market appears to be weighing on consumer confidence.

...as solid US fundamentals were evident...

US data signalled strong economic momentum despite the harsh winter. The ISM PMIs were reasonable in February, consistent with the 0.6% growth in industrial production (IP) and a 0.3% rise in retail sales. Non-farm payrolls grew 175,000, and analysts expect more hiring as the weather improves. While the unemployment rate edged up 0.1% point to 6.7%, this was attributed to more people entering the labour market. Housing permits rebounded 7.7% in February and starts fell just 0.2%, suggesting that growth in housing supply may be reasonable once weather disruptions come to an end. However, home sales continued to contract, pointing to soft demand.

The Federal Reserve (Fed) pared its April asset purchases by US$10bn to $55bn and dropped the 6.5% unemployment threshold, under which a rate hike is possible, from its forward guidance. Comments by Chairwoman Yellen and the Fed's latest projections suggest a more aggressive-than-expected tightening of policy after QE ends.

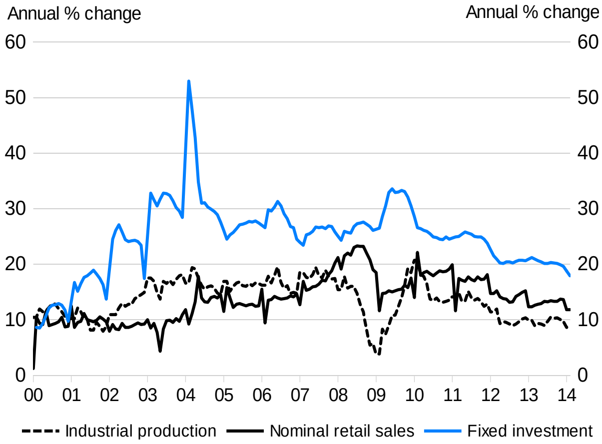
...and activity in Japan picks up before tax rise

Japanese activity strengthened ahead of April's sales tax rise. IP and retail sales surged in January, while the tertiary (services) activity index rose, and the manufacturing PMI was strong in February. However, the imminent sales tax rise, appears to be weighing on household confidence.

Tepid growth in China...

Chinese activity appears tepid in early 2014. Annual increases in IP (8.6%), retail sales (11.8%) and fixed investment (17.9%) were historically low in January and February (Figure 7). The 0.4-point fall in the HSBC manufacturing PMI in March to 48.1 suggests soft activity. However, authorities maintained the 2014 growth target at 7.5%, and growth has met its target for the past 16 years.

Figure 7: Economic activity in China



Source: Haver

...as worries over credit risks re-emerge

Concerns over credit risks resurfaced. A high-profile bond default suggests that authorities are allowing some financial products to fail to ensure better pricing of risk. Plans to liberalise deposit rates raised concerns of higher borrowing costs, and Premier Li said that defaults are unavoidable as financial deregulation proceeds. Credit risks and weak data impaired market sentiment, with equity and hard commodity prices weakening.

The PBoC expanded its USD/RMB band, from 1% to 2% above or below its daily reference rate. Relaxing the exchange rate regime will better allow monetary policy to address domestic concerns as China's capital account is liberalised. The recent RMB depreciation continued as the PBoC signalled to speculators that the RMB is not a one-way bet. As part of exchange rate liberalisation, direct trading between NZD and RMB began on 19 March, and is expected to reduce the cost of business between New Zealand and China.

Crisis in Ukraine worries markets

The crisis in Ukraine and possible sanctions against Russia, a major energy supplier for Europe, also strained market confidence. Global equities have been volatile during the crisis, while yields fell and gold prices rose as investors sought safety. Markets recovered later as risks of an outright conflict receded, but tensions remain.

Special Topic: Should we worry about New Zealand's trade concentration?

The meteoric rise of China up the ranks of New Zealand's goods export markets has been one of the dominant economic developments in recent years. Having accounted for just 4.1% of New Zealand's goods exports in 2001, China overtook Australia as our largest export market at the end of last year, accounting for 22% of goods exports in the 2013 calendar year.

The emergence of China has been a boon for New Zealand's primary goods exporters. Strong demand has underpinned historically-elevated global prices for New Zealand's exports – particularly for dairy and forestry – and China has become an increasingly important market for meat exports too. However, the speed of the transition has raised questions as to whether New Zealand is becoming too reliant on China.

Background

The economic literature argues that a lack of export diversification is likely to make an economy more vulnerable to changes in prices or demand for the goods and services that it exports. This, in turn, is likely to have negative effects on its export earnings and, ultimately, impact on the stability of the overall economy. Jansen (2004)[1] shows that this is particularly a risk for commodity exporting countries and that, by implication, such economies would benefit from diversifying their export bases.

As a small, geographically-isolated economy, New Zealand fits the paper's description of a typically concentrated exporter. The intuition is that the relatively small size of the economy limits economies of scale and prevents large-scale industries from developing, and our isolated location presents another headwind in that we face relatively high transport costs for our goods.

How worried should we be?

So, how worried should we be by New Zealand's trade concentration, particularly in light of the increasing importance of China?

Of course, New Zealand is far from alone in having seen China rise in importance as a trade partner over recent years. China's trade share has risen for every country in the OECD over the past decade or so. Back in 2001, China was in the top 3 export markets for just two of the 34 OECD economies, and even these were its Asian neighbours Japan and Korea. Now it is ranked in the top 3 export markets for seven OECD members, and is the number 1 export destination for four of these (including New Zealand).

New Zealand's goods export base is comparatively concentrated...

That said, New Zealand's goods export base is amongst the least diversified of the OECD member countries, and it has become less diverse over the past decade or so. This is evident from looking at a number of measures, including the proportion of a country's total goods exports that are exported to its largest export partners. As shown in Table 1, New Zealand's five largest export markets accounted for 59.2% of total goods exports in 2013, relative to the OECD median of 52.0%. This represented a 3.8%-point increase from the corresponding proportion in the early 2000s, compared with a *decrease* in the OECD median over the same period.

Table 1 – Goods export trade shares (% of total)

Goods export share (%) of the top 5 export destinations

	NZ	Australia	OECD High	OECD Low	OECD Median
2001	55.4	48.8	92.2 (Canada)	38.6 (Greece)	56.4
2013*	59.2	68.6	86.6 (Canada)	31.7 (Turkey)	52.0
Change	3.8	19.8	19.8 (Australia)	-15.8 (Turkey)	-5.9

Goods export share (%) of China

	NZ	Australia	OECD High	OECD Low	OECD Median
2001	4.1	6.2	12.1 (Korea)	0.1 (Slovakia)	0.9
2013*	21.6	36.1	36.1 (Australia)	0.6 (Slovenia)	2.4
Change	17.5	29.9	29.9 (Australia)	0.4 (Estonia)	1.4

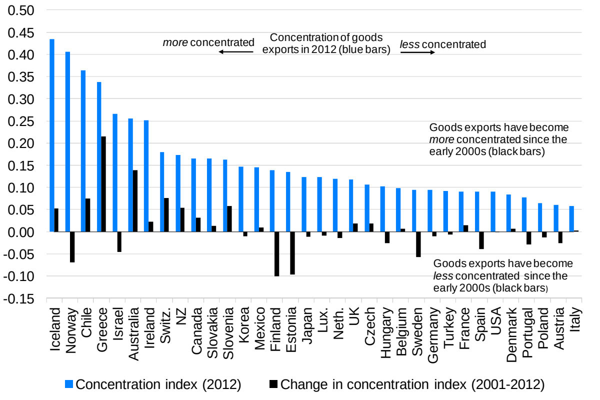
* Only data for 2012 available for selected OECD countries

Source: International Trade Centre

Another way of examining the extent of diversification in a country's export base is to use export concentration indices calculated by the United Nations Conference on Trade and Development (UNCTAD). Such indices are calculated annually and build in additional information on the *products* that a country exports to give a single measure of a country's trade concentration. The index is bounded between 0 and 1: the higher the concentration index, the more concentrated (ie, less diversified) a country's goods exports. New Zealand's latest concentration index of 0.17 is above the OECD median of 0.12 (Figure 8). Furthermore, New Zealand is one of only seven OECD member countries to have seen a significant increase in its concentration index between 2001 and 2012 (where we have defined a significant increase to be at least 0.05 in magnitude).

[1] Jansen, Marion, *Income volatility in small and developing economies: export concentration matters*, World Trade Organisation, Geneva, 2004

Figure 8 – Concentration indices



Source: UNCTAD

...but less so than Australia's

More striking, though, is how Australia – our traditional principal export market – fares in the same analysis.

Based on both measures of trade concentration identified above, Australia's goods export base is both less diversified than New Zealand's, and has changed to a greater extent over the past decade or so. Looking back at Table 1, Australia's top 5 export destinations accounted for 68.6% of its total goods exports in 2013. This was a 19.8%-point increase from the corresponding share in 2001 – the largest change of any OECD member country. As for New Zealand, the shift was driven by increased trade with China, although the change for Australia was much more marked. The proportion of Australian exports that go to China (36.1% in 2013) is now by far the highest for any OECD member. The pattern is borne out in the UN concentration indices as well: out of the 34 OECD members, Australia saw the second biggest rise in its concentration index between 2001 and 2012, and ranks above New Zealand.

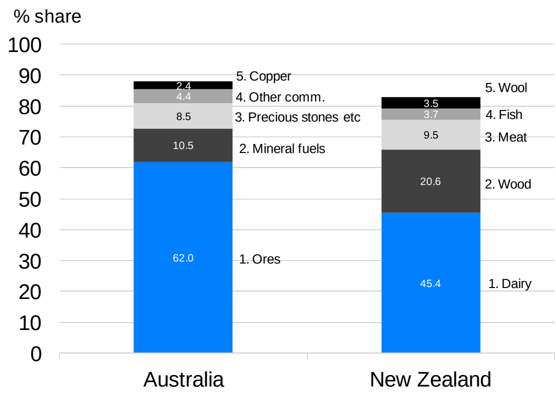
Increased trade concentration need not be a bad thing...

So what does this all mean? Clearly, the rising importance of China as an export market offers both opportunities and risks for New Zealand.

On the one hand, our comparative advantage in so-called soft commodity exports and our strong reputation for quality means that we are well placed for the planned rebalancing of the Chinese economy towards consumption. To the extent that the rising importance of China as a trading partner coincides with a structural shift in demand for New Zealand's protein-based exports, this is likely to translate into a stable and dependable source of export demand in the future. Around 60% of New Zealand's exports to China are food-related, principally dairy and meat (Figure 9).

Admittedly, our strong trade links with Australia expose us indirectly to the increased concentration of the Australian export base to China. As shown in Figure 9, over two-thirds of Australian exports to China are mining-related (mainly ores and mineral fuels). Such exports are much more closely aligned to Chinese investment activity, which has driven Chinese economic growth over recent years but is expected to ease as the economy rebalances. But even so, given that our main exports to Australia are not directly associated with the mining sector (they are dominated by gold, oil for refining, and cheese and wine), the indirect risks through Australia may not be too strong.

Figure 9 – Exports to China by product (top 5 export product categories, 2013)



Source: International Trade Centre

More generally, the increasing clout of China in global food markets may deliver wider benefits for New Zealand exporters. For example, increased Chinese demand on the world stage looks to be 'bidding up' global prices across the board, and increasing the price that our other exporters receive – even those with a focus on our more traditional trading partners. This already appears to be the case for lamb exports. Meanwhile, deepening trade links may also open up new export markets for traditionally-regarded lower-end products, such as meat by-products.

...but it raises some risks and challenges

On the flip side, however, there are risks and challenges associated with an increasing concentration of trade with China (or any one trading partner for that matter). For example, our position as the 'small partner' in the trade relationship may limit our exporters' ability to move up the value chain in later years. Indeed, while Chinese demand looks set to provide a stable base for future exports, such trade may increasingly be on their terms as buyers rather than our terms as sellers. This underlines the importance of exporters being ready to adapt to market conditions and to continue to look for opportunities to add value.

More generally, any increase in exposure to one trading partner raises the prospect of market-specific risks, ranging from cyclical fluctuations in demand to longer-term issues of market access. New Zealand's experience when the UK joined the EEC in 1973 is an obvious example in this regard. The UK's share of New Zealand's exports was over 65% in the 1950s and was still around 40% in the early 1970s.

Factors which diminish the risks

Overall, though, there are a number of reasons why the current situation differs from previous instances in New Zealand's history.

First, our current trade concentration is by no means unprecedented from a longer-term perspective. Indeed, at around 22% of total goods exports, the proportion of New Zealand's exports that went to the top trading partner in 2013 (China) was still only around half of the respective proportion when the UK dominated our trade in the early 1970s. Meanwhile, it is worth noting that the respective shares of New Zealand's top 5 and10 export markets have remained remarkably stable over the past 20 years or so (at around 55-60% and 65-70%). The rankings of some countries have changed, but the picture is certainly not one of increasing reliance on a small group of countries.

Second, New Zealand's growing trade relationship with China is more a result of economic factors and market forces than the legacy-driven relationship with the UK. Moreover, in terms of products, our exports to China are relatively diversified, particularly when compared with Australia's exports. Finally, another mitigating factor is that New Zealand has coping mechanisms in place, namely a floating exchange rate and flexible markets, to ensure that the economy's resources are efficiently allocated and can move over time.

Conclusion

Overall, we see the increasing importance of China as a trading partner to New Zealand as more of an opportunity than a risk. While there may be hiccups along the way, and inevitable risks remain, New Zealand is well placed to benefit from mutual trade with China in the future.

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

26 March 2014

Quarterly Indicators

		2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.2	1.2	0.5	0.4	1.2	0.9	...
	ann ave % chg	2.8	2.6	2.3	2.2	2.6	2.7	...
Real private consumption	qtr % chg[1]	0.1	1.3	0.9	1.0	0.4	1.2	...
	ann ave % chg	3.1	2.9	2.6	2.6	3.1	3.4	...
Real public consumption	qtr % chg[1]	0.2	0.2	-0.8	0.5	2.1	-0.5	...
	ann ave % chg	-0.9	-1.0	-0.6	-0.2	0.5	0.8	...
Real residential investment	qtr % chg[1]	3.8	2.8	7.6	-0.5	7.4	0.1	...
	ann ave % chg	14.0	15.7	19.3	17.9	17.5	17.4	...
Real non-residential investment	qtr % chg[1]	-2.2	1.1	0.8	7.4	0.1	0.9	...
	ann ave % chg	4.5	4.6	3.7	3.8	5.3	6.9	...
Export volumes	qtr % chg[1]	3.4	-0.7	2.0	-3.6	-0.4	3.1	...
	ann ave % chg	3.2	2.2	2.5	2.6	1.0	1.0	...
Import volumes	qtr % chg[1]	1.2	0.5	1.9	2.2	4.1	0.2	...
	ann ave % chg	2.2	2.6	1.2	2.4	4.6	6.3	...
Nominal GDP - expenditure basis	ann ave % chg	3.3	2.3	2.1	1.7	2.8	5.2	...
Real GDP per capita	ann ave % chg	2.0	1.9	1.6	1.6	1.9	2.0	...
Real Gross National Disposable Income	ann ave % chg	2.0	1.1	0.6	1.7	3.1	5.3	...
External Trade								
Current account balance (annual)	NZ$ millions	-7,744	-8,590	-8,349	-8,243	-8,870	-7,546	...
	% of GDP	-3.7	-4.1	-3.9	-3.9	-4.1	-3.4	...
Investment income balance (annual)	NZ$ millions	-9,645	-9,300	-9,327	-8,896	-8,972	-9,307	...
Merchandise terms of trade	qtr % chg	-3.2	-1.2	4.2	4.6	7.5	2.4	...
	ann % chg	-9.2	-8.9	-2.8	4.3	15.8	20.0	...
Prices								
CPI inflation	qtr % chg	0.3	-0.2	0.4	0.2	0.9	0.1	...
	ann % chg	0.8	0.9	0.9	0.7	1.4	1.6	...
Tradable inflation	ann % chg	-1.2	-1.0	-1.1	-1.6	-0.5	-0.3	...
Non-tradable inflation	ann % chg	2.3	2.5	2.4	2.5	2.8	2.9	...
GDP deflator	ann % chg	-1.1	-2.2	0.1	0.2	3.2	6.9	...
Consumption deflator	ann % chg	0.4	0.6	0.4	0.1	0.6	0.8	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	-0.4	0.5	0.2	0.4	1.2	1.1	...
	ann % chg[1]	0.0	0.4	0.4	0.7	2.4	3.0	...
Unemployment rate	%[1]	7.2	6.8	6.2	6.4	6.2	6.0	...
Participation rate	%[1]	68.4	68.2	67.9	68.1	68.6	68.9	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.5	0.5	0.4	0.4	0.4	0.5	...
	ann % chg	1.9	1.8	1.8	1.7	1.6	1.6	...
QES average hourly earnings - total[5]	qtr % chg	1.1	-0.1	0.8	0.2	1.6	0.2	...
	ann % chg	2.8	2.6	2.1	2.1	2.6	2.9	...
Labour productivity[6]	ann ave % chg	3.1	3.4	2.3	1.6	0.6	-0.4	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	0.3	1.1	0.9	2.1	-0.2	0.7	...
	ann % chg	1.7	1.8	2.5	4.4	4.3	3.7	...
Total retail sales volume	qtr % chg[1]	0	1.8	0.8	1.5	0.2	1.2	...
	ann % chg	2.2	3.2	3.5	4.2	4.7	3.9	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	103	111	111	117	115	120	122
QSBO - general business situation[4]	net %	8.0	19.8	23.0	31.9	37.6	51.7	...
QSBO - own activity outlook[4]	net %	17.7	18.7	18.1	17.8	30.3	30.7	...

Monthly Indicators

		2013M09	2013M10	2013M11	2013M12	2014M01	2014M02	2014M03
External Sector								
Merchandise trade - exports	mth % chg[1]	-8.4	0.0	2.1	6.1	-5.4	...	...
	ann % chg[1]	16.1	22.4	16.9	15.8	21.8	...	...
Merchandise trade - imports	mth % chg[1]	12.8	-5.8	8.6	-2.8	-0.6	...	...
	ann % chg[1]	-1.0	5.6	-2.8	19.4	3.5	...	...
Merchandise trade balance (12 month total)	NZ$ million	-1559	-1014	-247	-288	312	...	...
Visitor arrivals	number[1]	226,090	222,450	230,580	231,620	238,150	243,310	...
Visitor departures	number[1]	229,470	223,370	231,940	239,770	233,740	247,520	...
Housing								
Dwelling consents - residential	mth % chg[1]	2.5	0.6	12.1	7.1	-8.3	...	...
	ann % chg[1]	22.4	15.4	36.7	47.4	25.0	...	...
House sales - dwellings	mth % chg[1]	0.6	0.6	-7.6	-0.9	3.6	-5.7	...
	ann % chg[1]	18.9	2.0	-6.6	-1.1	-4.3	-7.6	...
REINZ - house price index	mth % chg	0.8	1.6	1.2	-1.0	-2.4	2.1	...
	ann % chg	9.8	9.9	9.6	9.2	7.7	8.2	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	-1.0	1.7	0.7	0.7	-0.5	0.9	...
	ann % chg	3.5	7.0	6.7	5.5	6.1	5.7	...
New car registrations	mth % chg[1]	-7.4	7.0	2.8	-1.2	2.4	3.8	...
	ann % chg	15.8	16.2	23.0	20.3	20.2	23.6	...
Migration								
Permanent & long-term arrivals	number[1]	8,050	8,290	8,180	8,300	8,210	8,460	...
Permanent & long-term departures	number[1]	5,270	5,310	5,430	5,370	5,090	5,000	...
Net PLT migration (12 month total)	number	15,174	17,490	19,478	22,468	25,666	29,022	...
Commodity Prices								
Brent oil price	US$/Barrel	111.64	109.16	107.96	110.67	108.11	109.05	*107.71*
WTI oil price	US$/Barrel	106.24	100.55	93.87	97.75	94.64	100.82	*100.66*
ANZ NZ commodity price index	mth % chg	-1.4	-1.0	0.5	1.7	0.6	0.9	...
	ann % chg	23.4	20.8	20.3	22.6	23.9	24.4	...
ANZ world commodity price index	mth % chg	1.1	1.4	-0.3	1.0	1.2	0.9	...
	ann % chg	23.1	23.0	21.6	21.6	22.6	22.4	...
Financial Markets								
NZD/USD	$[2]	0.8125	0.8349	0.8265	0.8229	0.8283	0.8288	*0.8491*
NZD/AUD	$[2]	0.8759	0.8784	0.8856	0.915	0.9347	0.9239	*0.9406*
Trade weighted index (TWI)	June 1979 = 100[2]	76.22	77.25	77.21	77.51	78.41	77.96	*79.51*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.75
90 day bank bill rate	%[2]	2.65	2.67	2.66	2.73	2.88	2.93	*3.04*
10 year govt bond rate	%[2]	4.70	4.65	4.71	4.76	4.64	4.57	*4.57*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	54.1	53.2	60.5	64.1	...	70.8	...
ANZ - activity outlook	net %	45.3	47.1	47.1	53.5	...	58.5	...
ANZ-Roy Morgan - consumer confidence	net %	118.8	122.3	128.4	129.4	135.8	133.0	132.0
Performance of Manufacturing Index	Index	54.8	56.0	56.9	56.5	56.3	56.2	...
Performance of Services Index	Index	56.3	57.9	56.4	57.4	57.8	53.1	...

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