Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

June 2014

Executive Summary

- **June's data releases confirmed strong momentum in the economy spilled over into 2014 with real GDP growing by a robust 1% in the March quarter.**
- **The terms of trade reached fresh 40-year highs in the March quarter, contributing to a sharp narrowing in the annual current account deficit.**
- **The international economy showed signs that growth has strengthened, while inflation is rising in the major advanced economies apart from Europe.**

Data released in June confirmed momentum from the second half of 2013 carried on into 2014 with the economy continuing to expand at an above-potential growth rate in the March quarter.

Indicators for domestic demand, including the ongoing surge in net migration, point to a continuation of that momentum into the June quarter and – despite some easing in consumer confidence and business sentiment indicators – solid growth is forecast throughout the rest of 2014.

With our preferred estimate of the output gap now showing that the economy is operating near full capacity, inflationary pressures will continue to build over 2014 and beyond requiring further monetary tightening by the Reserve Bank. This – combined with further moderation in the housing market and easing commodity prices – will temper domestic demand somewhat.

The terms of trade reached a fresh 40-year high in the March quarter and contributed to rapid growth in nominal GDP and a narrowing in the annual current account deficit to less than 3% of GDP. That said, dairy auction prices continued to ease in June, declining further from the record levels seen in February this year, and the terms of trade likely peaked in the March quarter. Falling commodity prices will begin showing through in June quarter export values, but the annual current account deficit should remain less than 3% of GDP through the middle of this year as drought-affected quarters drop out of the annual figure.

Activity in the international economy has picked up as the transitory factors that weighed on growth in the March quarter receded. Activity in China stabilised on the back of supportive government measures while US activity recovered following the harsh winter. Meanwhile, inflation is rising in many advanced economies, driven mainly by country-specific factors. Despite rising inflation, the policy stance of major central banks remained accommodative, with the ECB easing its monetary policy as expected.

This month's special topic looks at the interaction between fiscal and monetary policy.

New Zealand Government

Analysis

Strong momentum in domestic economy

Data released in June confirmed momentum from the second half of 2013 carried on into 2014 with the economy continuing to expand at an above-potential growth rate in the March quarter. Indicators for domestic demand also point to a continuation of that momentum into the June quarter, and despite some easing in consumer and business indicators, solid growth is forecast throughout the rest of 2014.

With our preferred estimate of the output gap now showing that the economy is operating near full capacity, inflationary pressures will continue to build over 2014 and beyond requiring the Reserve Bank (RBNZ) to continue monetary tightening by returning the Official Cash Rate (OCR) to neutral levels. In that respect, the RBNZ increased the OCR 25 basis points to 3.25% in its June Monetary Policy Statement (MPS).

The terms of trade reached a fresh 40-year high in the March quarter and contributed to rapid growth in nominal GDP and a narrowing in the annual current account deficit to less than 3% of GDP. That said, dairy auction prices continued to ease in June, declining further from the record levels seen in February this year, and the terms of trade likely peaked in the March quarter.

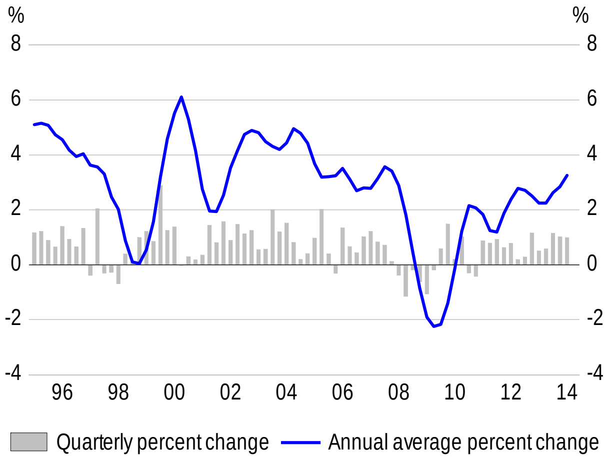
Construction drives March quarter growth...

Real production GDP rose 1.0% in the March quarter following an upwardly revised 1.0% rise in the previous period – making March the third consecutive quarter of circa 1% growth.

The increase was primarily driven by a surge in residential and non-residential building activity with the construction industry growing 12.5% and contributing 0.8 percentage points to the quarterly outturn. The second largest contribution came from the mining industry; output grew 6.5% (contributing 0.1 percentage points) on increased oil and gas extraction and follows an 8.0% rise in the December quarter driven by increased exploration activity. As was the case in the December quarter, growth was broad-based with modest increases across most other industries.

In annual terms, the economy continued to grow at an above-potential growth rate. Output was 3.8% higher in the March quarter than a year ago and 3.3% higher in the year ended March, increasing from 2.8% in the year ended December (Figure 1).

Figure 1: Real production GDP



Source: Statistics NZ

Strong construction activity also drove the 1.3% increase in real expenditure GDP in the quarter, with residential building investment rising 11.6% – contributing 0.7 percentage points. Exports of goods and services rose 3.1% in the quarter, while imports increased 1.7%. Overall, net exports contributed 0.4 percentage points to the quarterly outturn and the remaining contribution came from increased general government spending, with local government spending increasing 5.0% and central government spending rising 0.6%.

Retail spending on goods was strong in the quarter, with durables consumption increasing 1.8% and non-durables consumption rising 0.4%. Surprisingly, given strength in services indicators, spending on services fell 0.4% and more domestic consumption was attributed to overseas visitors, leading to an unexpected flat quarter for private consumption growth. We expect some bounce-back in the June quarter, with a matching decline in travel service exports.

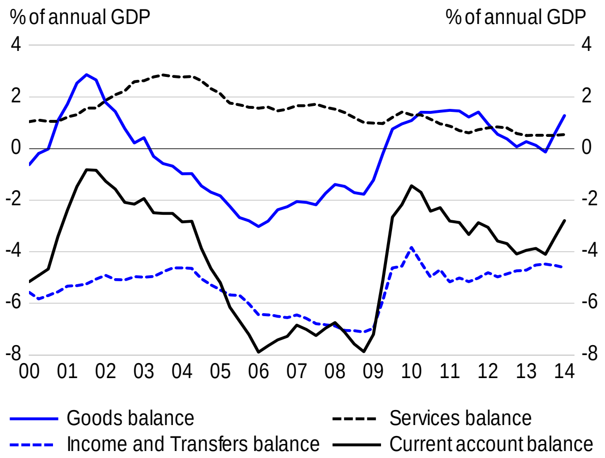
…and terms of trade boost nominal growth

Export prices were flat in the quarter while import prices fell by 1.2% (reflecting the 1.8% quarterly increase in the TWI). As a result the National Accounts measure of the terms of trade rose 1.3%. The increase contributed to the 0.9% increase in the GDP deflator and a 2.3% rise in nominal GDP which was stronger than the *Budget Economic and Fiscal Update* forecast of 1.6%. Consequently, nominal GDP was around 0.2% ($450 million) higher than expected in the March year. Despite this strength, tax revenues have tended to fall short of our forecasts, likely reflecting the composition of expenditure, with higher export receipts but lower household consumption expenditure than forecast.

Annual current account deficit narrows...

The annual current account deficit narrowed sharply in the March quarter to 2.8% of GDP from 3.4% in the previous period, and 4.1% in the September quarter as the goods surplus widened further (Figure 2). This reflects both the rise in the terms of trade and also stronger export volumes and values as last year's drought-affected quarters began to drop out of the annual calculation. All told, having registered a small deficit in the September 2013 quarter of 0.1% of GDP, the annual goods balance increased to a surplus of 1.3% in the March 2014 quarter.

Figure 2: Current account components



Source: Statistics NZ

The annual services surplus also remained steady at 0.5% of GDP, driven by increased numbers of overseas visitors and – despite a stronger exchange rate – higher expenditure per visitor. Increased revenue from film production services also offset declines in other business services. The exchange rate has strengthened further over the June quarter (with the TWI reaching post-float highs), which will continue to place downwards pressure on visitor spending and the services balance.

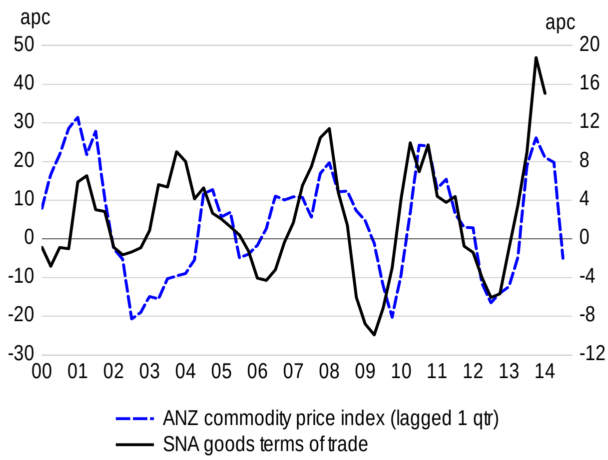
Meanwhile, the annual income deficit widened slightly to 4.4% of GDP from 4.3% in the previous period. The March quarter deficit was little changed from the December quarter at $2.7 billion, but up from $2.3 billion a year ago. A fall in income from New Zealand's investments abroad was matched by a decline in income from foreign investment in New Zealand. Banking sector profits increased in the quarter – to a record level – but this was more than offset by a decrease in profits for other foreign-owned companies.

…but commodity prices continue to ease

The ANZ commodity index fell 2.2% in May driven by a 4.5% fall in the dairy products index. Since February, when dairy prices peaked, the dairy product index has declined 16.3%, although a 7.5% increase in meat, skin and wool prices since February has provided a partial offset with the overall index down a more modest 5.8%. June's GlobalDairyTrade (GDT) auctions also point to a further decline, with the GDT price index down 4.2% across the June month.

That said, further commodity price easing was forecast in the *Budget Update* and the terms of trade have most likely peaked (Figure 3). Admittedly, dairy prices have come off their peaks faster than expected, but increases in other commodity prices suggest that the overall impact on the terms of trade is close to forecast.

Figure 3: Commodity prices and terms of trade



Source: ANZ, Statistics NZ

Given the usual lags, these declines will begin to show through in the June quarter merchandise export values, and more strongly in the September quarter, leading to shrinking quarterly seasonally-adjusted goods surpluses over 2014. The annual current account deficit should narrow further through the middle of 2014 as drought affected quarters drop out.

Net liability position lowest since 2001

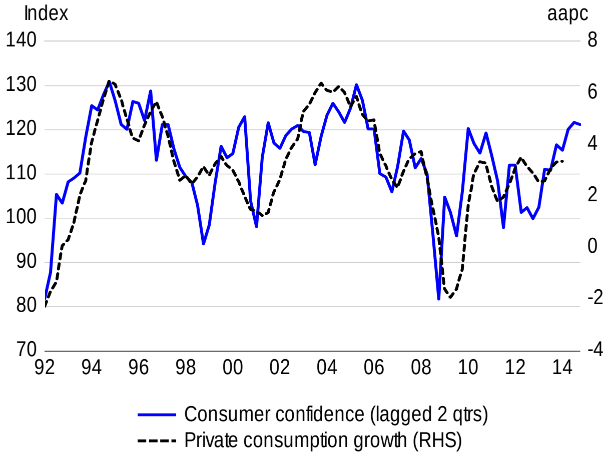
The net international liability position increased slightly in the March quarter to $148.0 billion from $146.9 billion as negative market price valuation changes more than offset a net outflow of foreign investment in the quarter. Nevertheless, the strong growth in annual nominal GDP led to a decline in the net liability position to 65.3% of GDP from 66.4% of GDP previously – the lowest level since the December quarter of 2001.

Momentum sustained into second quarter...

Despite some easing, business sentiment indicators remain elevated and point to a continuation of momentum into the June quarter and throughout the rest of 2014. The ANZ Business Outlook for May saw business confidence fall further to a net 53.5% of businesses expecting general business conditions to improve in the next year from its February peak of 70.8% – but this remains significantly above its historical average of 10%. The seasonally-adjusted BNZ-BusinessNZ Performance of Manufacturing Index for May recorded its second consecutive dip (but remained in expansionary territory at 52.7 – its 20th consecutive month in expansion) and the Performance of Services Index also eased but remained firmly in expansionary territory at 54.2 in May.

For the household sector, consumer confidence eased slightly in the June quarter, but both the Westpac-McDermott Miller and the ANZ-Roy Morgan (quarterly average) remain at historically elevated levels, consistent with strong annual average private consumption growth (Figure 4). Total seasonally-adjusted electronic card spending increased a robust 1.7% in May with retail spending up across all industries, reinforcing this positive outlook for private consumption growth in the June quarter.

Figure 4: Consumer confidence and private consumption growth



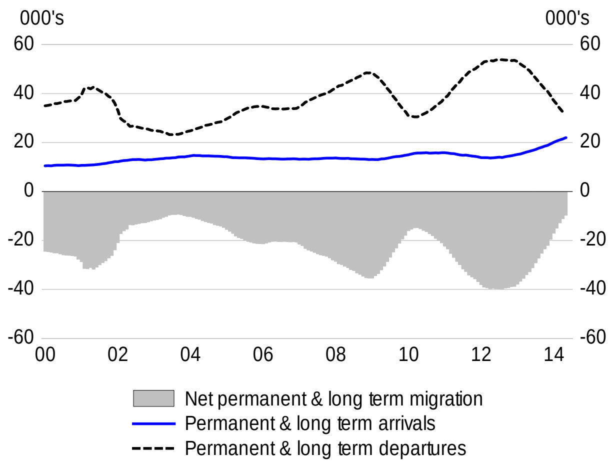
Source: Westpac-McDermott Miller, Statistics NZ

... supported by surging net migration…

Net migrant inflows are also contributing to the strong domestic demand outlook in the near term. There was a seasonally-adjusted net inflow of 3,980 permanent and long-term migrants in May. This took annual net migration to 36,400 with around three-quarters of the change in the past year explained by changes in trans-Tasman migration flows and in particular fewer departures of New Zealand citizens to Australia. This has largely been driven by the relatively weaker economic performance in Australia recently and the rapidly increasing demand for labour in New Zealand. The seasonally-adjusted net loss of all migrants to Australia in May was 200, equal with April for the smallest net loss since the series began in 1996. This helped narrow the annual net loss of migrants to Australia to less than 10,000 (Figure 5).

Although higher net migration is adding to domestic demand, it is also contributing to labour supply and will help alleviate labour supply pressures, particularly in Canterbury.

Figure 5: Annual trans-Tasman permanent & long-term migration



Source: Statistics NZ

…requiring further monetary tightening

Given the considerable momentum in the economy, and rising inflationary pressures, the Reserve Bank increased the OCR by 25 basis points to 3.25%, with the June MPS showing a largely unchanged economic outlook from the March statement.

The statement was perceived as hawkish by the market which had revised downwards its expectations of the extent and timing of monetary tightening since the March MPS and bank funding margins had narrowed. A further hike in July is now widely expected, with the market pricing an 80% chance of a follow-up OCR increase at the July interim review.

This month's special topic looks at the interaction between fiscal and monetary policy.

Housing market activity declines further

The Reserve Bank also noted the moderation in the housing market since last year's introduction of loan-to-value ratio (LVR) restrictions, and the beginning of monetary tightening this year. REINZ data for May showed seasonally-adjusted house sales lifted 2.2% in May, following the 7.2% holiday-affected fall in April, and are down 16.6% since October. House prices dipped 1.1% in the month, slowing annual growth to 6.4% from 8.5% previously, and 9.9% in October 2013 when LVR restrictions were introduced.

Stronger global activity and inflation

Growth in the international economy appears to have strengthened, as the transitory factors that weighed on activity earlier in the year receded. At the same time, inflation is rising in the major advanced economies apart from Europe, driven by country-specific factors. Despite higher inflation, the policy stance of central banks remained accommodative. Meanwhile, geopolitical tensions in Iraq and the Ukraine have affected market sentiment.

Activity in China stabilises on the back of government stimulus...

Supportive action by the government has led to a slight pick-up in Chinese activity. Chinese regulators lowered the minimum reserve requirements for selected banks following the central government's mini stimulus package in early 2014, and these measures are beginning to bolster activity. Annual growth in industrial production (IP) in May (8.8%) was up from April (8.7%), as was growth in retail sales (12.5% from 11.9%), while the official manufacturing PMI (50.8) and the services PMI (55.5) were at their highest levels so far this year. The developed world recovery is starting to support Chinese exports, which rebounded 7.0% from a year ago in May. A modest pick-up in domestic demand and recovery in net exports are expected to support GDP growth in the June quarter.

However, growth is expected to remain historically soft and the risk of a disorderly housing market correction persists. Reuters reported that house prices fell in May (by 0.2%) for the first time in two years.

...as growth rebounds in advanced economies

Growth in the developed world also strengthened overall. The US economy resumed its recovery from the harsh winter, with the PMIs indicating solid growth in both manufacturing and services, although the outlook for residential construction is weaker following its immediate post-winter rebound. Growth in non-farm payrolls was strong in May (217,000), and the unemployment rate remained at its post-GFC low of 6.3%.

Euro area activity continued to rise from a low level, reflected by moderate outturns for PMIs and IP, although the unemployment rate remains elevated (11.7%). The UK's cyclical upswing continued, and the fall in the unemployment rate to 6.6% in the three months to April pointed to rising demand for labour as activity picks up.

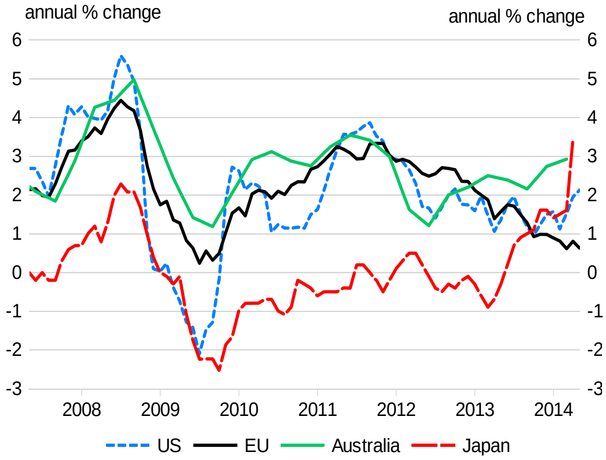
The World Bank acknowledged the gradual recovery in high-income economies in its latest forecasts, which project their growth to rise from 1.3% in 2013 to 1.9% in 2014, but growth for emerging economies in 2014 was downgraded by 0.5% points back to its 2013 pace of 4.8%. The downgrade to emerging economies led to a 0.4%-point downgrade to global growth in 2014, but global growth is still expected to rise to 2.8% from 2.4% in 2013, driven by high-income economies.

However, there are signs of weakness in some advanced economies. Despite solid growth for Australia in the March quarter (1.1%), domestic demand remained subdued and the softness is likely to persist, owing to lower consumer confidence, the restrictive Budget and investment downturn. While the Australian labour market has recently stabilised, a small fall in employment in May suggests that a substantial improvement is unlikely in the coming months. In Japan, the sales tax rise in April is weighing heavily on private demand, some of which was brought forward into the March quarter. While investment grew robustly in the March quarter, this may not be sustained given the soft outlook for consumer demand.

Rising inflation in some economies...

Price pressure is rising in many advanced economies apart from Europe (Figure 6), owing to country-specific factors. Inflation in the US rose from 1.4% in the March quarter to 2.0% and 2.1% in April and May respectively, with increases in most categories. Rising inflation reflects higher domestic demand as the recovery becomes entrenched. In Japan, the sales tax rise is estimated by the Bank of Japan (BoJ) to have contributed 2.0% points to annual inflation in April, which was at a two-decade high of 3.4%. Australian inflation in the March quarter was at a 2½-year high (2.9%) and encroached on the top of the RBA's target range of 2% to 3%, driven by stronger tradable inflation. The boost to prices from AUD depreciation has outweighed the drag from low wage growth, and the latter is reflected in historically low non-tradable inflation.

Figure 6: Inflation in major advanced economy trading partners



Source: Haver

...although the outlook for global monetary policy remains generally accommodative

The outlook for monetary policy in advanced economies has not changed materially despite rising inflation, except for the UK. A reaffirmation of easy policy by the Federal Reserve and supportive meeting minutes for June eased market concerns that rate increases may come earlier than expected, following the May inflation outturn. The European Central Bank (ECB) extended its accommodative stance by easing policy further at its June meeting. The ECB cut its policy rate by 0.1% point to 0.15%, introduced more Long-term Refinancing Operations and lowered its bank deposit rate from 0.0% to -0.1%, to discourage commercial banks from parking capital at the ECB. These moves aim to boost bank lending to households and businesses by expanding credit supply, although analysts pointed out that subdued credit demand is also weighing on credit growth. Reaction in the bond market has been positive, with long-term yields in the euro area peripheral economies down to historical lows, but it is uncertain whether the ECB action is sufficient to boost growth and inflation.

There were some changes in the policy outlook for the Bank of England (BoE). BoE Governor Carney warned that rate increases may come sooner than expected by the market, should the cyclical upswing eliminate the spare capacity in the UK economy faster than expected. Meanwhile, the Bank of Japan continued to show an optimistic outlook for the Japanese economy despite the tax rise, and appears less likely to ease further to support the recovery and inflation.

Geopolitical risks remain in the global outlook

Heightened political and military tensions in parts of the globe represent a continued risk to financial markets and the world economy. Rebels in northern Iraq made significant headway against government forces in the month, which threatened global oil supplies. Oil prices rose around 7% in the month, and further increases may lead to a faster decline in New Zealand's terms of trade than forecast in the *Budget Economic and Fiscal Update*. Markets were also affected by Russia cutting off its energy supply to Ukraine, as Europe is dependent on gas pipelines running through Ukraine. However, market sentiment improved later in the month as Russia signalled that it will not intervene in Ukraine's civil conflict. Meanwhile, the political crisis in Thailand is expected to continue weighing on growth in the country.

Special Topic: The interaction between fiscal and monetary policy

In setting monetary policy, the Reserve Bank will take account of the stance of fiscal policy

In Budget 2014, the Government announced a modest increase in its provision for new spending (or revenue reduction) in future Budgets.[1] The Public Finance Act requires the Government to have regard to the interaction between fiscal policy and monetary policy when formulating its fiscal strategy. This special topic focuses on the implications of changes in government revenue and spending for monetary policy.

Economic growth continues to strengthen, supported by accelerating construction spending, historically elevated export prices and a recent increase in net migration. At the same time, ongoing fiscal consolidation has been removing demand pressure from the economy, providing some offset and allowing monetary policy to be more stimulatory than it would be otherwise.

Assessing the impact of changes in government revenue and spending on monetary policy requires assumptions about how the government's revenue, spending and debt interact with other parts of the economy. There are essentially three broad steps to reach a view on the impact:

1. The fiscal impulse – how large, what type and when it will occur?
2. Macroeconomic conditions – the degree of spare capacity in the economy and what other shocks are affecting the economy?
3. Structural relationships in the economy – how do households, firms and the central bank behave?

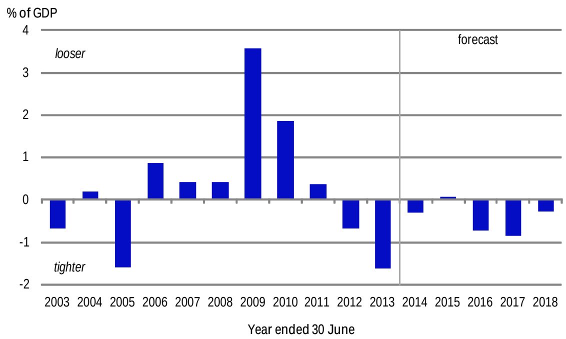
Different ways of measuring the fiscal impulse

There are two broad approaches to assessing the fiscal impulse, which measures whether government fiscal policy decisions are adding to, or subtracting from, aggregate demand pressures in the economy.

The first approach to measure the fiscal impulse is to use a fiscal aggregate such as the overall budget balance. The Treasury's fiscal impulse indicator is defined as the change in the cyclically-adjusted cash balance. This indicator is used as a measure of the discretionary stance of fiscal policy, although it can be affected by fiscal and economic factors that are not directly related to policy decisions. It indicates the first-round impact of fiscal policy on aggregate spending in the economy.

Figure 1 shows the Treasury's fiscal impulse indicator.[2] It shows a positive fiscal impulse in the latter half of the 2000s, particularly in 2008/09-09/10 due to a large fiscal easing involving both higher government spending and personal tax cuts that coincided with domestic and global recession. A further positive fiscal impulse occurred in 2010/11 at the time of the Canterbury earthquakes. Fiscal tightening began in 2011/12 as the budget deficit began to reduce. The Treasury's *Budget Update* forecast further fiscal tightening of 2.1% of GDP over the five years to June 2018. This is smaller than the fiscal tightening of 2.8% of GDP that was forecast for the same period in December's *Half Year Update.* This largely reflects higher operating allowances from Budget 2015.

Figure 1 – Fiscal impulse indicator



Source: The Treasury

The second broad approach is to identify the fiscal cost of new tax or spending initiatives.

For future Budgets, the cost of discretionary policy initiatives is managed through operating and capital allowances. Budget allowances are a device for managing Budget decisions and are not a measure of the fiscal impulse per se.

Markets and the central bank will already have some information about the future stance of fiscal policy. Therefore to assess the impact of a

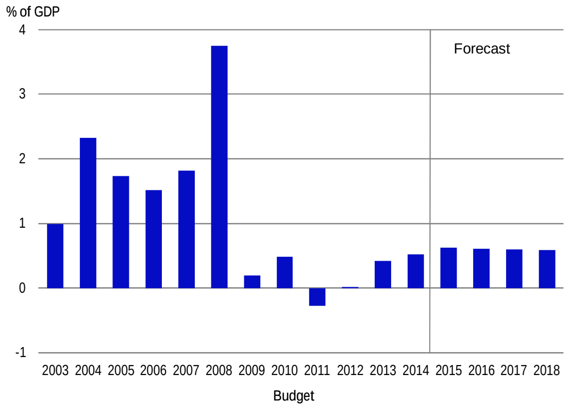
[1] The 2014 *Fiscal Strategy Report* signalled higher operating allowances from Budget 2015. The operating allowance is the amount included in the forecasts to provide for the operating balance (revenue and expenses) impact of policy initiatives, changes to demographics and other forecasting changes expected to occur over the forecast period.

[2] For the Core Crown plus Crown entities excluding EQC and Southern Response payments.

potential change in the stance, it makes sense to look at revisions to the level of future Budget allowances. Revisions to these allowances occur from time to time to ensure that Budget tax and spending initiatives are consistent with the Government's overall fiscal strategy.

Figure 2 shows the level of new operating allowances since 2003. Over the last decade, operating allowances have varied within a range of about 0 to 4% of GDP. Lifting future operating allowances by $500 million a year is equivalent to about 0.2% of GDP per Budget – a comparatively modest revision relative to historical variation in operating allowances.

Figure 2 – New operating allowances in each Budget (final year impact)



Source: The Treasury

Limited spare capacity

Although it is difficult to forecast the shocks that may occur in the future, the economy is expected to be operating at, or above, its potential level of output over the forecast horizon.[3] In this context, the Reserve Bank is expected to continue to withdraw monetary stimulus consistent with its price stability objective. The Official Cash Rate (OCR) is currently 3.25% and expected to increase further over the next two years.

Demand-side effects expected to dominate in the short run

In the short run, a positive fiscal impulse would be expected to add to domestic spending – whether through direct government purchases, transfers to households or tax reductions. However, the private sector response will likely differ depending on the type of fiscal instrument (eg, tax cuts may have a smaller impact on aggregate demand than government spending depending on the saving response of households).

The Treasury looked at several macroeconomic models to give some indication of the implications of changes in fiscal policy. In these models, the demand-side effects dominate in the short run. Higher government expenditure (or reductions in tax revenue) would increase aggregate demand and therefore inflationary pressures. The Reserve Bank would be expected to respond to this by setting interest rates higher than otherwise so that it can achieve its inflation target. The exchange rate would be expected to be higher than otherwise, reflecting a higher spread between domestic and foreign interest rates.

Empirical analysis also supports the view that fiscal policy will have effects on interest rates. A model estimated using New Zealand data from 1983-2010 found that a positive government spending shock is associated with a rise in the government's long-term bond yield.[4]

While there is uncertainty about the effects of fiscal policy, the Treasury's advice was that increasing Budget operating allowances from $1 billion to $1.5 billion a year was around the upper limit for increased spending (or revenue initiatives) before they begin to materially affect interest rates. This analysis used as a threshold for materiality the magnitude of one additional increase in the OCR (ie, 25 basis points).[5]

But supply-side effects are important

Tax or spending initiatives may affect the productive capacity of the economy depending on their effects on labour supply, investment and productivity. Improving the supply side of the economy is perhaps the most important means of sustaining economic growth beyond the cyclical upswing expected over the next few years.

Fiscal settings can have important implications for the structure of the economy – for example, the tax and transfer system involves resource transfers across individuals, life cycles and generations. Therefore, fiscal structure may impact on national saving and the medium-term equilibrium interest rate.

[3] Potential output is defined as the maximum level of real GDP that can be achieved while maintaining stable inflation.

[4] Oscar Parkyn and Tugrul Vehbi (2013) "The Effects of Fiscal Policy in New Zealand: Evidence from a VAR Model with Debt Constraints." New Zealand Treasury Working Paper 13/01.

[5] See Treasury Report T2014/223 http://www.treasury.govt.nz/publications/informationreleases/budget/2014/

Muted market reaction to the Budget

We can also look at market pricing on the day of the Budget (15 May 2014) to see whether there was a financial market reaction to news of higher future operating allowances. There are limits to what this information can tell us. The effects of changes in the future fiscal stance may take some time to be felt. The release of the Budget also includes other news in addition to changes to the fiscal strategy – a new set of Treasury economic forecasts and announcements about the bond programme. Global sentiment and international data releases may also affect domestic financial markets on the day.

Interest rate pricing on Budget day implied minimal change to the expected path of the OCR. The TWI exchange rate drifted down slightly on May 15 (counter to what theory would suggest for an increase in spending).

This provides further support for the Treasury's judgement that the change in operating allowances is around the level at which macroeconomic impacts are likely to be modest.

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

25 June 2014

Quarterly Indicators

		2012Q4	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	1.2	0.5	0.6	1.1	1.0	1.0	...
	ann ave % chg	2.5	2.3	2.2	2.6	2.9	3.3	...
Real private consumption	qtr % chg[1]	1.3	0.9	1.1	0.4	1.2	0.0	...
	ann ave % chg	2.9	2.6	2.6	3.1	3.4	3.4	...
Real public consumption	qtr % chg[1]	0.1	-0.2	0.1	2.5	-0.5	1.1	...
	ann ave % chg	-1.5	-1.0	-0.4	0.4	1.1	1.9	...
Real residential investment	qtr % chg[1]	3.6	6.3	0.1	7.0	0.6	11.6	...
	ann ave % chg	15.7	19.3	17.9	17.5	17.3	16.9	...
Real non-residential investment	qtr % chg[1]	0.9	1.6	7.0	0.4	0.6	-1.5	...
	ann ave % chg	4.6	3.7	3.8	5.5	7.2	8.4	...
Export volumes	qtr % chg[1]	-0.2	0.8	-3.3	-0.4	3.5	3.1	...
	ann ave % chg	2.2	2.5	2.6	0.9	0.7	0.4	...
Import volumes	qtr % chg[1]	0.6	1.8	2.3	4.0	0.1	1.7	...
	ann ave % chg	2.6	1.2	2.4	4.5	6.2	7.9	...
Nominal GDP - expenditure basis	ann ave % chg	2.2	2.0	1.6	2.8	5.3	7.0	...
Real GDP per capita	ann ave % chg	1.9	1.6	1.5	1.8	1.9	2.2	...
Real Gross National Disposable Income	ann ave % chg	1.0	0.6	1.8	3.2	5.4	7.3	...
External Trade								
Current account balance (annual)	NZ$ millions	-8,590	-8,349	-8,243	-8,868	-7,622	-6,322	...
	% of GDP	-4.1	-3.9	-3.9	-4.1	-3.4	-2.8	...
Investment income balance (annual)	NZ$ millions	-9,300	-9,327	-8,896	-8,972	-9,390	-9,771	...
Merchandise terms of trade	qtr % chg	-1.2	4.2	4.6	7.5	2.5	1.8	...
	ann % chg	-8.9	-2.8	4.3	15.8	20.2	17.3	...
Prices								
CPI inflation	qtr % chg	-0.2	0.4	0.2	0.9	0.1	0.3	...
	ann % chg	0.9	0.9	0.7	1.4	1.6	1.5	...
Tradable inflation	ann % chg	-1.0	-1.1	-1.6	-0.5	-0.3	-0.6	...
Non-tradable inflation	ann % chg	2.5	2.4	2.5	2.8	2.9	3.0	...
GDP deflator	ann % chg	-2.3	0.4	0.4	3.4	7.3	6.3	...
Consumption deflator	ann % chg	0.5	0.5	0.1	0.6	1.0	0.9	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.5	0.2	0.4	1.2	1.1	0.9	...
	ann % chg[1]	0.4	0.4	0.7	2.4	3.0	3.7	...
Unemployment rate	%[1]	6.8	6.2	6.4	6.1	6.0	6.0	...
Participation rate	%[1]	68.2	67.9	68.1	68.6	68.9	69.3	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.5	0.4	0.4	0.4	0.5	0.3	...
	ann % chg	1.8	1.8	1.7	1.6	1.6	1.5	...
QES average hourly earnings - total[5]	qtr % chg	-0.1	0.8	0.2	1.6	0.2	0.5	...
	ann % chg	2.6	2.1	2.1	2.6	2.9	2.5	...
Labour productivity[6]	ann ave % chg	3.3	2.3	1.6	0.7	-0.3	-0.3	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	1.1	0.9	2.0	-0.2	1.0	0.8	...
	ann % chg	1.8	2.5	4.4	4.3	3.7	3.6	...
Total retail sales volume	qtr % chg[1]	1.9	0.8	1.5	0.2	1.4	0.7	...
	ann % chg	3.2	3.5	4.2	4.7	3.9	3.8	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	111	111	117	115	120	122	121
QSBO - general business situation[4]	net %	18.5	22.8	35.9	37.8	52.8	51.7	...
QSBO - own activity outlook[4]	net %	5.7	12.2	23.6	28.7	29.9	35.3	...

Monthly Indicators

		2013M12	2014M01	2014M02	2014M03	2014M04	2014M05	2014M06
External Sector								
Merchandise trade - exports	mth % chg[1]	5.8	-5.0	2.8	4.3	-5.0	...	...
	ann % chg[1]	15.8	21.5	16.4	14.9	14.0	...	...
Merchandise trade - imports	mth % chg[1]	-2.4	0.5	3.7	0.9	-6.5	...	...
	ann % chg[1]	19.3	3.9	7.9	12.3	5.0	...	...
Merchandise trade balance (12 month total)	NZ$ million	-317	262	625	827	1191	...	...
Visitor arrivals	number[1]	231,680	237,420	241,230	233,800	237,720	238,410	...
Visitor departures	number[1]	240,150	233,460	246,410	240,710	236,340	246,910	...
Housing								
Dwelling consents - residential	mth % chg[1]	6.8	-8.7	-1.5	9.1	1.5	...	...
	ann % chg[1]	47.4	25.0	14.7	35.5	18.6	...	...
House sales - dwellings	mth % chg[1]	-0.7	3.6	-5.9	-1.8	-7.2	2.1	...
	ann % chg[1]	-1.1	-4.3	-7.6	-10.0	-20.2	-14.8	...
REINZ - house price index	mth % chg	-1.0	-2.4	2.1	3.4	0.2	-1.2	...
	ann % chg	9.2	7.7	8.2	9.2	8.5	6.5	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.6	-0.4	0.8	0.0	0.4	1.3	...
	ann % chg	5.5	6.1	5.7	5.1	5.7	7.6	...
New car registrations	mth % chg[1]	-1.2	2.6	4.1	3.3	-0.4	3.4	...
	ann % chg	20.3	20.2	23.6	26.8	17.5	21.7	...
Migration								
Permanent & long-term arrivals	number[1]	8,300	8,230	8,510	8,770	8,750	9,100	...
Permanent & long-term departures	number[1]	5,360	5,080	4,930	4,880	4,660	5,120	...
Net PLT migration (12 month total)	number	22,468	25,666	29,022	31,914	34,366	36,397	...
Commodity Prices								
Brent oil price	US$/Barrel	110.67	108.11	109.05	107.49	107.78	109.48	*111.72*
WTI oil price	US$/Barrel	97.75	94.64	100.82	100.80	102.07	102.11	*105.43*
ANZ NZ commodity price index	mth % chg	1.8	0.6	0.8	-2.6	-4.7	-2.1	...
	ann % chg	22.5	23.8	24.4	11.8	-3.4	-6.0	...
ANZ world commodity price index	mth % chg	1.0	1.2	0.9	-0.1	-3.7	-2.2	...
	ann % chg	21.5	22.6	22.4	14.0	-2.5	-3.1	...
Financial Markets								
NZD/USD	$[2]	0.8229	0.8283	0.8288	0.8517	0.8620	0.8610	*0.8591*
NZD/AUD	$[2]	0.9150	0.9347	0.9239	0.9395	0.9254	0.9255	*0.9181*
Trade weighted index (TWI)	June 1979 = 100[2]	77.51	78.41	77.96	79.70	80.21	80.10	*80.09*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.75	3.00	3.00	3.25
90 day bank bill rate	%[2]	2.73	2.88	2.93	3.05	3.24	3.38	*3.50*
10 year govt bond rate	%[2]	4.76	4.64	4.57	4.58	4.55	4.30	*4.41*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	64.1	...	70.8	67.3	64.8	53.5	...
ANZ - activity outlook	net %	53.5	...	58.5	58.2	52.5	51.0	...
ANZ-Roy Morgan - consumer confidence	net %	129.4	135.8	133.0	132.0	133.5	127.6	131.9
Performance of Manufacturing Index	Index	56.6	56.3	56.2	58.3	54.4	52.7	...
Performance of Services Index	Index	57.6	58.1	52.9	58.2	58.5	54.2	...

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