Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

January 2015

Executive Summary

- **Treasury's *Half Year Update* forecast strong growth in activity but subdued inflation and therefore relatively weak growth in nominal GDP and tax revenue.**

- **Official data show that the economy grew strongly in the September quarter of 2014, although revisions and improvements to measurement mean earlier growth was slightly weaker.**

- **Sharp falls in oil prices have translated into lower petrol prices and annual CPI inflation below the Reserve Bank's target band. A further drop is expected before price pressures exert themselves in the medium term.**

Since the Treasury released its HYEFU forecasts on December 16, oil prices have fallen 40%. Consequently petrol prices are their lowest in 4 years and annual CPI inflation dropped below the bottom of the Reserve Bank's 1-3% target band in the December quarter 2014. Prices have continued to fall in early 2015 suggesting inflation will be even lower in the first quarter of 2015.

Low inflation, the associated low interest rates and weak international commodity prices have combined to leave nominal GDP and Crown revenues lower than would otherwise be expected in a strongly growing economy. Indeed, the economy is growing strongly. Despite downward revisions to history (discussed in this month's special topic), activity in the New Zealand economy is estimated to have grown 2.9% in the year to September 2014. Boosted by a strong construction sector and increasingly confident businesses and households, the economy's spare capacity is being absorbed.

High levels of net inward migration have offset some developing capacity constraints until now, although the composition of migrants is changing. The main driver is now international students who may deliver more of a demand impulse, and likely a smaller increase in labour supply, than the earlier surge in net migration did. Residential building consents have risen to their second highest level, and house sales are rising, especially in Auckland. Data for electronic sales are subdued, although the contribution of falling petrol prices is suppressing the total.

Dairy prices are developing in line with HYEFU forecasts, although continued appreciation is required to maintain farm incomes at projected levels. Nevertheless export values have slipped and the trade deficit and current account deficits have widened. Strong domestic growth will fuel demand for imports and – despite lower oil prices – Treasury continues to expect a higher import bill and widening deficits.

The global outlook for activity and demand remains weak, leading to continued large falls in hard commodity prices, particularly crude oil. Global inflation weakened further, leading to increased risk of deflation in some economies. Monetary policy continued to be eased in many of our major trading partners, driving bond yields lower, including in New Zealand.

New Zealand Government

ISSN-1175-6780 – Text and data finalised 29 January 2015

Analysis

Data over summer has confirmed HYEFU outlook of strong growth and weak prices

The December *Half Year Economic and Fiscal Update* (HYEFU) forecast an economy growing at 3.5% over 2015 with price pressures emerging, although remaining relatively weak in the near term. The plethora of data out since then has confirmed this view with activity and confidence indicators remaining strong while inflation data has come in even weaker than forecast. The main exception to weaker prices is dairy auction prices that have risen in both auctions to date this year. However, further improvements are needed to maintain the incomes forecast in the HYEFU.

Oil prices continue to fall and this is feeding into lower petrol prices and slowing CPI inflation. Weak headline inflation is expected to continue in the near term before the growing economy exerts price pressure elsewhere, with the Reserve Bank indicating "future interest rate adjustments, either up or down, will depend on the emerging flow of economic data."

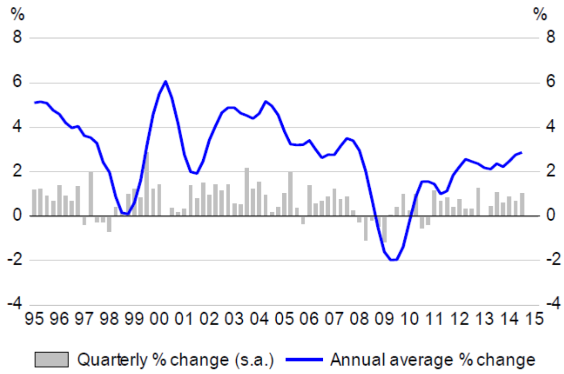
HYEFU shows strong growth in activity, but slower growth in revenues

Treasury's *Half Year Update* forecast an economy growing slightly faster than trend. Spare capacity has been absorbed over recent years and a continuation of faster-than-trend growth is expected, generating inflationary pressure over the medium term. However, subdued inflation until now and falling export prices meant a downward revision to nominal GDP and expected government revenue in HYEFU.

GDP growth rises, but history revised down

Real production GDP rose 1.0% in the September quarter, exceeding our *Half Year Update* and the market's forecasts for 0.7% growth. However, substantial downward revisions to previous quarters, as a result of new international standards, changes to the base year and new information, led to annual average growth of 2.9%, well below expectations (Figure 1). Similarly, expenditure GDP growth surprised on the upside, rising to 1.3% in the quarter, while the pace in previous quarters was revised down. The special topic looks at the changes in the national accounts in more depth.

Figure 1: Production GDP growth



Source: Statistics New Zealand

Current account deficit widens ...

The annual current account deficit widened to 2.6% of GDP in the September quarter, below our HYEFU and the market's expectation of 2.8% of GDP. The slightly larger deficit was driven by a smaller annual goods surplus and larger primary income deficit. Since then merchandise trade data, led by falling dairy export values, have confirmed further widening of the trade deficit suggesting that the annual current account deficit is set to widen further in the December quarter, consistent with our *Half Year Update* forecast.

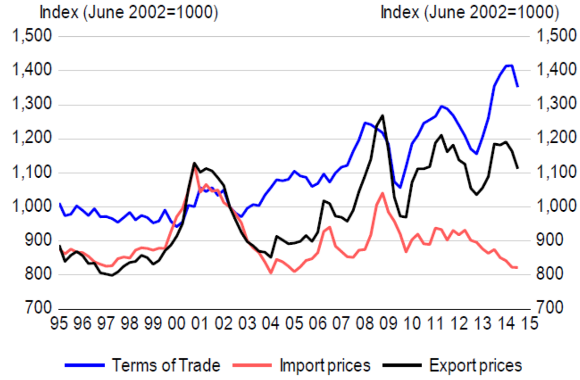
... as dairy prices start 2015 on a positive ...

The GlobalDairyTrade price index has posted three consecutive increases dating back to last year, with prices rising across the board. In the two auctions this year, whole milk powder prices rose 1.6% in the first and 4.1% in the second, partly reflecting the lower volumes sold at auction in the season to date. Importantly, quarter-to-date average prices remain in line with our estimates presented in the *Half-Year Update*, although continued improvement will be needed to maintain that view.

... offset by oil price falls

Oil prices have continued their spectacular fall from over USD100/bbl at the end of last year to be less than USD50/bbl now. As well as dampening consumer price inflation (see below) the lower oil prices will reduce the import bill, and have a positive impact on the terms of trade. While the impact of lower dairy prices will cause the overall terms of trade to fall, lower oil prices should help to maintain the terms of trade at historically high levels (Figure 2).

Figure 2: Terms of trade



Source: Statistics New Zealand

Migration surge continues

Seasonally adjusted figures showed a net inflow of 5,000 migrants in November, taking annual net migration to a new record high of 49,800 people. Arrivals in the year to November are also at a record high of 108,800, an increase of 15,800 over the 2013 November year. Half of this growth has been driven by an increase in the number of migrants arriving to study, particularly from India. HYEFU forecast migration to peak at 52,000 in March 2015, suggesting some slowing in monthly net inflows from then. As indicated in HYEFU, migration continues to pose an upside risk to aggregate activity, but higher net inflows will also increase the supply of workers.

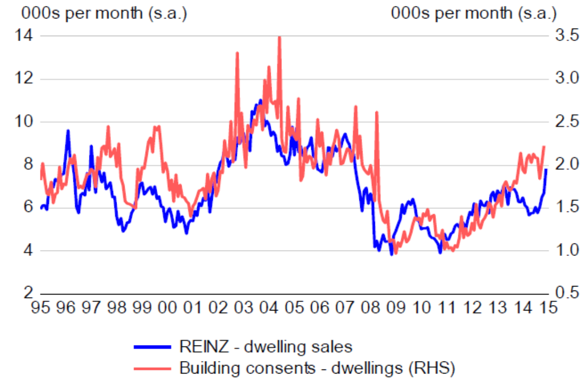
Housing-related activity building again ...

Increased migration inflows contributed to further growth in building consents and increased demand for housing more generally. There were 2,420 new dwelling consents issued in November 2014, the highest number of new dwellings consented in a month since August 2007. Annual consents issued were up 21.8% in the year to November 2014. Consent issuance in Auckland and Canterbury continues to drive the increase, rising 20.1% and 15.6% in the three months to November 2014 compared with the same period in 2013. Excluding apartments, the number of new dwelling consents rose 2.1% in November, consolidating the 12.9% October increase.

...as house sales in December rise

The recovery in the housing market since September continued with increased turnover and prices in December. Seasonally adjusted house sale volumes lifted 16.9% in the month, the strongest December sales since 2006 (Figure 3), chiefly driven by sales in Auckland. However, in the year to December 2014, 7.0% fewer houses were sold than in 2013. The national REINZ Stratified House Price Index rose 3.7% in the December quarter, taking annual growth to 5.3%.

Figure 3: Housing market upbeat



Source: Statistics New Zealand, REINZ

The combination of strong migrant inflows, growing levels of building activity and higher house prices will underpin domestic demand over the next year or so. A larger population and increased wealth perceptions will likely boost private consumption, with the increase in residential investment likely to take a while to subdue house price inflation.

Spending rises as fuel price falls ...

Higher consumer spending was apparent in the December quarter as core retail electronic card transactions values rose 2.0%, with the increase broad-based. However, the total value of transactions fell 0.3% in December, led by a 3.1% drop in the value of fuel as average retail petrol prices fell 5.7%. The total value of sales appears likely to be lower than forecast in HYEFU, although lower fuel prices suggest that consumers are getting more for their money.

... but sentiment remains upbeat

The ANZ-Roy Morgan Consumer Confidence Survey showed consumers remained very upbeat, although in seasonally adjusted terms confidence slipped from a very high 126.8 to a still high 125.0.

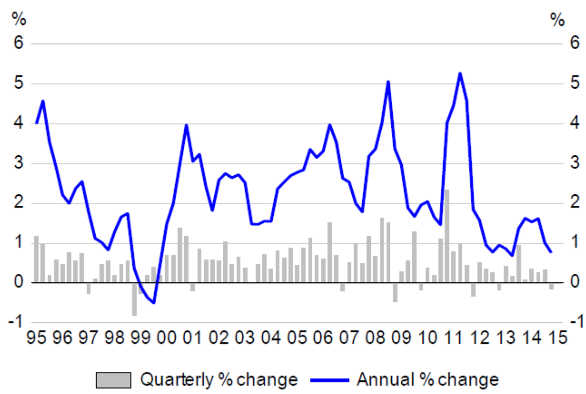
Both the ANZ monthly and NZIER quarterly surveys of business opinion showed a healthy level of confidence. Both surveys showed little change to expectations for overall economic conditions but were more upbeat on the own activity measures. Significantly, capacity issues are developing with utilisation up, capacity as a constraint rising and labour continuing to get more difficult to find. Despite this, price expectations are easing, while input costs were reported to have been rising. Either businesses are accepting a compression of margins or this could be a sign of price pressure emerging in the future.

Likewise, the manufacturing PMI rose for the 27th month in a row, with new orders and production particularly strong. In the QSBO, domestic orders were very strong while export orders were flat.

Subdued inflation continues to pose downside risks to nominal GDP in the short-term

The Consumers Price Index fell 0.2% in the December quarter, slightly below our and market expectations. Annual inflation eased to 0.8% from 1.0% in the September quarter (Figure 4).

Figure 4: Consumers Price Index



Source: Statistics New Zealand

As expected, falling petrol prices (-5.7%) provided the largest negative contribution (-0.3 percentage points) to quarterly inflation and pushed annual inflation below the Reserve Bank's 1-3% policy target band.

The continued fall in petrol prices through the beginning of this year will drive an even larger negative contribution in the March quarter of 2015. If current petrol prices were to hold for the rest of this quarter, Statistics New Zealand estimates a -0.8 percentage point contribution which would take annual inflation towards 0%.

Treasury still expects inflation pressure to emerge over the medium term once the recent falls in petrol prices pass and as resource constraints increase, such as the ability to find staff becoming more difficult.

Weak outlook for global activity and inflation

Global markets were volatile in the past two months, with large declines in hard commodity prices, particularly crude oil. Despite support from the ECB's introduction of QE in January, markets remain concerned about the weak global outlook. The IMF and the World Bank lowered their global growth forecasts in 2015 and 2016, owing to lower growth in China and other emerging economies, partly as geopolitical risks rose, and weakness in some advanced economies. Global inflation has weakened as petrol prices fell.

Low growth in the developed world ...

The outlook across the advanced economies is diverging. In the euro area, a high unemployment rate (11.5% in November) and elevated levels of private and public debt continued to weigh on demand and activity. In Japan, consumer and business sentiment remain subdued, and activity showed only a soft recovery in the December quarter (Q4) from a low level; however, the 2015 growth outlook improved on the back of falling oil prices and the delay in the second sales tax rise to 2017. Australian GDP growth was soft at 0.3% in the September quarter, driven by a contraction in investment, although higher jobs growth led the unemployment rate to fall to 6.1% in December. The Government's *Midyear Update* pointed to a weaker fiscal outlook than the Budget in May.

In contrast to weakness elsewhere, the recovery was sustained in the US and the UK. In the US, non-farm payrolls growth was robust in Q4 and the unemployment rate fell to a post-2008 low of 5.6%. Consumer confidence surged to a 10-year high, reflecting strong jobs growth and falling petrol prices, which supported spending and investment. The UK recovery is on track despite softer data. UK GDP expanded 0.5% in Q4, and moderate jobs growth led the unemployment rate to fall to a post-GFC low of 5.8%, while falling fuel prices boosted household purchasing power.

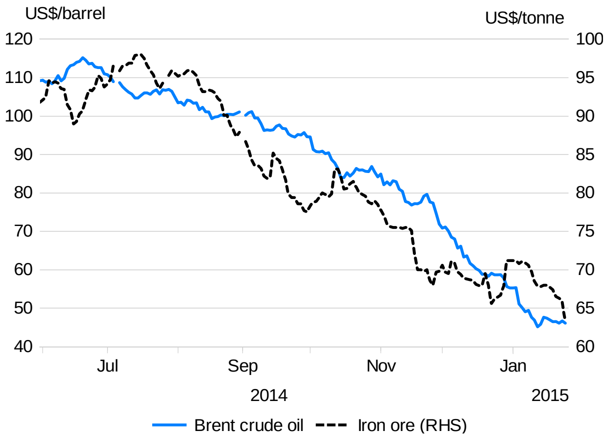
... and China and other emerging economies ...

The outlook for China remained weak despite stronger activity recently. The Chinese economy expanded 7.3% on a year ago in Q4, bringing growth in 2014 to a 24-year low of 7.4%, although higher than expectations. Growth in industrial production and spending picked up in December, and the PMIs rose in January. However, growth is likely to ease further in 2015, possibly below 7.0%, and authorities may introduce further policy easing in coming months. Weaker Chinese demand for commodities is expected to be a drag on growth for resource-exporting economies in emerging Asia (e.g. Indonesia and Malaysia) and South America. In addition, geopolitical tensions partly contributed to the weak outlook for some economies, particularly Russia and in the Middle East.

... led to sharp falls in commodity prices ...

A weaker global demand outlook, combined with supply increases, led to large falls in hard commodity prices. Brent oil prices were down around 60% since mid 2014 (Figure 5), partly as US oil output rose with increased shale oil production and OPEC indicated it will not reduce production. Iron ore prices fell to below US$65 a tonne, and copper ore prices also dropped about 20% in the same period, reflecting low investor confidence. The decline in commodity prices led to volatile equity prices, with large falls in energy stocks, but markets recovered in late January on the back of policy easing by the European Central Bank (ECB).

Figure 5: Crude oil and iron ore prices



Source: Haver

... with global inflation at historical lows ...

Falling oil prices led to weak inflation globally. US and UK annual inflation fell in December to 0.8% and 0.6% respectively, assisted by soft wage growth despite strengthening demand. However, price pressures in these economies are expected to rise in the next couple of years as spare capacity is absorbed. In the euro area, weak demand and falling energy prices led to negative inflation in December (-0.2%), and Japanese inflation, excluding the effect of the higher sales tax, fell to around 0.4% in November (headline was 2.4%), both pointing to increased deflationary risks. Inflation in China has declined over the second half of 2014, to 1.5% in December.

... and more supportive global monetary policy

Monetary policy continued to ease in many major economies. The ECB introduced quantitative easing (QE) starting in March, expanding its monthly asset purchases to €60 billion. QE is to remain until September 2016 and longer if needed to ensure price stability. The ECB limited total purchases from any particular issuer, and ensured the sharing of losses with national governments. The central banks of Canada, Switzerland, Sweden and Denmark cut their policy rates, and the Bank of Korea is likely to follow. The Bank of Japan revised down its inflation forecasts, reinforcing expectations of a further expansion in QE to achieve its 2% inflation target. Some analysts expect the RBA to ease in 2015, owing to falling Australian export prices and a moderation in housing demand although strong core inflation in the December quarter may make a reduction less likely.

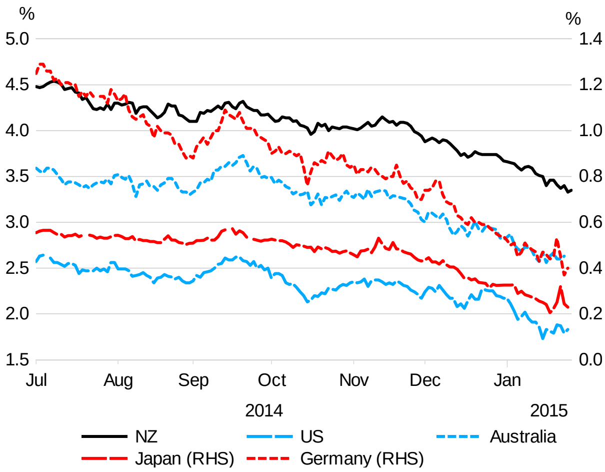
The US and UK monetary policy outlook also became more supportive. The Fed reaffirmed its stance of a low policy rate for some time in its January statement. Markets currently expect the US Federal Reserve to raise its policy rate in September 2015, later than previously anticipated, and the pace of tightening to be slightly slower. Expectations for the Bank of England to raise rates in 2015 also fell.

...leading to lower global bond yields

Long-term bond yields fell further across advanced economies (Figure 6). Ten-year US Treasury yields fell sharply from late December, to 1.78%, down more than 100 bps since the start of

2014. Euro area bond yields continued to decline with the ECB's introduction of QE, driven by falls across peripheral economies, although Greek yields were elevated leading up to and following the Greek parliamentary election. The victory for the anti-austerity Syriza party increased the risk of market instability in the euro area, as the new PM Tsipras campaigned on renegotiating Greece's bail-out with the European Commission, ECB and IMF. A Greek exit from the euro area is unlikely at this stage, and would be less threatening to market stability than three years ago, but the election outcome has increased financial risks.

Figure 6: 10-year government bond yields



Source: Haver

The recent fall in global bond yields reflected a more supportive outlook for monetary policy and higher safe-haven demand (for US, Japanese and German bonds) as commodity prices slid. NZ 10-year yields followed global yields lower, to be down about 60 bps since 1 December to 3.33%.

Broad USD strength partly drove NZD lower

The USD appreciated as other central banks eased policy and with higher safe-haven demand. The USD TWI rose 4.3% from early December, strengthening against the commodity-based currencies (including the CAD and AUD) and the euro. The euro TWI depreciated 6.1% in the same period, owing to ECB easing and the Swiss National Bank's removal of the Swiss Franc's exchange rate ceiling against the euro. The NZD TWI appreciated until mid January, before falling later in the month owing to continued concerns around the outlook for commodity prices and weak NZ inflation in Q4. The NZD/USD was down 5.0% in the last two months, to 0.74.

Special Topic: Understanding the recent changes to the National Accounts

The gross domestic product (GDP) data released at the end of last year contained a number of revisions to the level and the growth rate of the New Zealand economy. The level of nominal GDP was revised higher by about $4 billion for the year ended March 2014, due to a combination of better methods and more accurate information. Meanwhile recent growth in activity (real GDP) was revised downwards, suggesting that low inflation may not be as surprising as originally thought.

While revisions to the history of GDP data are normal (annual benchmarking occurs every year), these revisions were larger than normal. As well as the usual annual benchmarking, there was a rebase of the reference period and an update in the methods used to produce the national accounts. This note describes the effects of these revisions on the data.

Annual benchmarking improves measurement

These revisions to National Accounts result from balancing the production and expenditure estimates of GDP within a supply and use framework[1] using the most up-to-date information from the latest annual economic surveys. Also included were updated and new information from other data sources. Generally these

[1] This framework reconciles the flows of goods and services in the economy in a detailed analysis of the production and use of goods and services. It provides the basis for checking the consistency of the measures of the supply and use of goods and services, which have been estimated from quite different statistical sources.

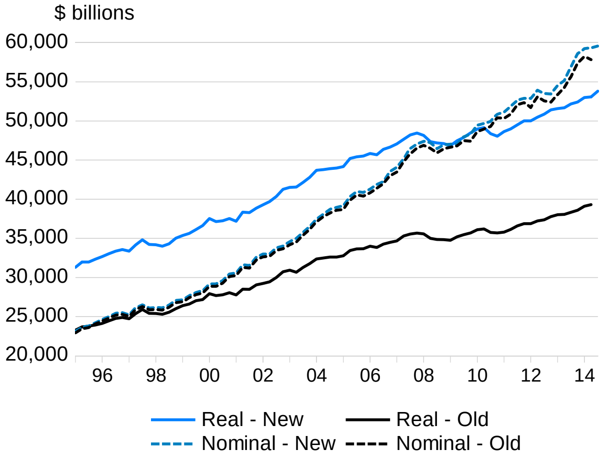
improvements had small effects on the level and growth rates of the economy.

These changes, along with updating of the supply and use tables that underpin them, mean the data better reflect the evolving structure of the New Zealand economy.

Rebase affects the level of real GDP

Constant price series need a reference year on which to base the prices. In that year the value of nominal GDP (the value of activity in the economy) and real GDP (the volume of activity in the economy) are identical. Re-expressing the volume measures in a more recent base year will change the levels of real GDP (because we are using a higher nominal GDP as the reference) but will not contribute to any change in growth (Figure 1). The effect of prices is removed from nominal GDP to calculate real GDP.[2] When the reference year is updated (or rebased) then a different set of prices is used. In the latest data the reference period for prices has changed from the year ended March 1996 to the year ended March 2010, meaning for most activities prices have risen, raising the reported value of activity.[3]

Figure 1: GDP - Nominal revised up slightly, Real rebased

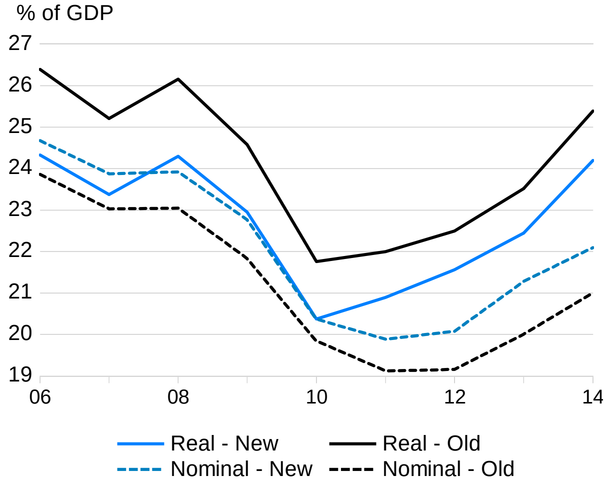


Source: Statistics NZ

A large part of this process is to update the weights applied at a more detailed level. These weights are used to combine detailed volume data (for example different mining products) that would have been held constant since 1996, until they were updated with the rebase. Overall, this did not have a marked effect on most of the economy as chain-linking is used to automatically update weights at higher levels

However, prices of goods and services have changed at different rates. Changes in relative prices between base years mean the relative size of activities in the economy are different from the real shares using the earlier base year. For example, because the price of investments goods has declined relative to other goods, the domestic economy is larger as a proportion of the total than before. Meanwhile, exports as a share of GDP are smaller than previously (Figures 2 and 3). The value or amount of exports is not necessarily lower, but the proportion of total activity is not as great. Indeed, the benefit of an updated base year is that the relative sizes of the component series are closer to their actual contributions to economic growth.

Figure 2: Investment proportions better reflect relative prices

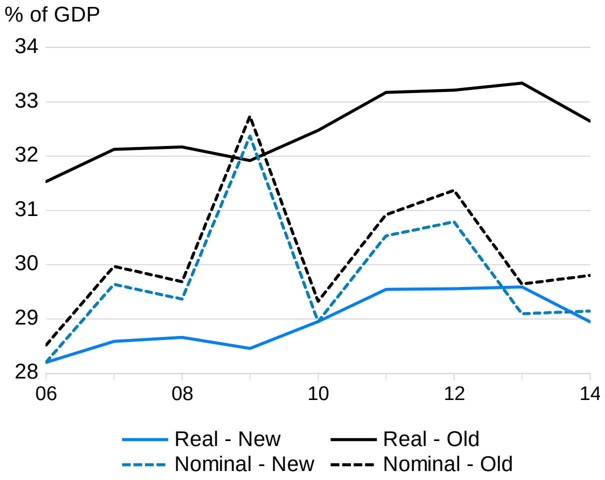


Source: Statistics NZ

[2] In practice some volumes are adjusted for price changes to derive nominal GDP when the volume measure is easier to survey.

[3] Importantly, some prices have actually fallen in that time (such as mobile phones and computers), meaning for a given value of activity, there has been a greater volume of activity than previously published.

Figure 3: Export share of GDP is smaller



Source: Statistics NZ

Improved methodology increases coverage

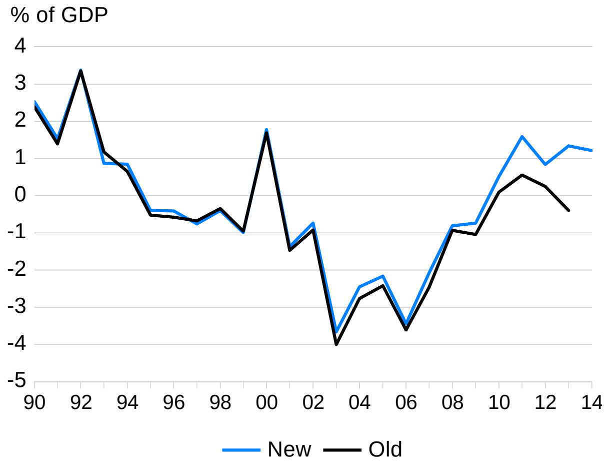
Most significantly, Statistics NZ has upgraded the methods by which the national accounts are measured, moving from the previous international standards for measuring GDP and the balance of payments (SNA93 and BPM5) to the current ones (SNA08 and BPM6). As the names suggest these changes are infrequent but are the internationally accepted norm for producing national accounts. Most developed countries are expected to have adopted the new standard by the end of the decade, with Australia, the UK, the US and Canada already using the new standards. [4]

Major changes fall into three categories: [5]

- Classification of assets (widening the definition to include durable expenses such as research and development as assets and adding assets produced in-house);
- Measurement of the financial sector (reflecting changes in the sector since 1993); and
- Issues related to globalisation (reflecting the significant increase in cross-border transactions).

Further, improvements in measurement and the availability of more accurate data have been incorporated. For example revisions to national saving are due to the availability of more accurate data for provisional estimates from the latest annual enterprise survey (2013) and updated tax data. As a consequence the saving rate is higher than previously estimated, especially among households (Figure 4).

Figure 4: Household saving revised up



Source: Statistics NZ

Nominal level revised up ...

The level of nominal GDP is around $4 billion or 1.9% higher in the year ended March 2014, so all else equal most measures will be lower as a proportion of GDP. For example, actual dollar values such as government debt remain the same but as a proportion of GDP falls from 26.2% to 25.6% at June 30 2014. Similarly, New Zealand's net international liabilities fall from 66.1% of GDP to 64.7% (also at June 30 2014), although better measurement of overseas assets has also contributed to this reduction in the debt position.

Household saving was revised up for the last five years. This was due to new data and some methodology changes by incorporating the new international standards. For example updated data largely resulted in increased distributions from unincorporated businesses to the household sector. The overall increase is a combination of both transfers from business saving to household saving and higher overall saving.

[4] Those countries that have adopted the new standards will likely appear to have larger economies and higher income per capita than those that have not. A comprehensive analysis of how the new measures affect cross-country comparisons and rankings will only be possible once all countries have upgraded their national accounts.

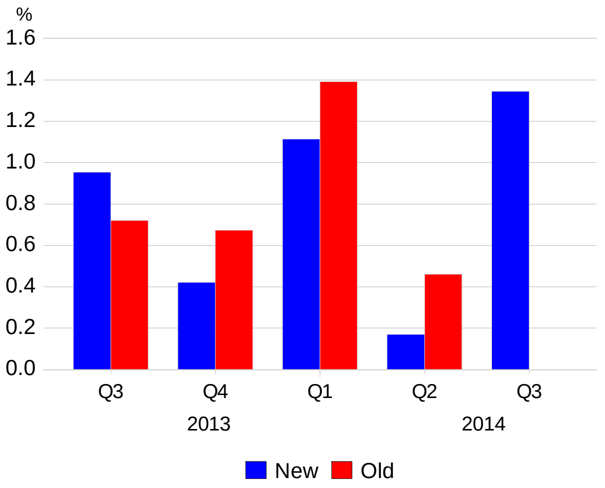
[5] For a full description, please see Statistics NZ's Preview of 2014 national accounts improvements

... and real growth revised down

While the value of activity has been revised up throughout history, recent growth in the volume of activity has been revised lower.

Lower growth in recent years may help explain lower inflation outcomes. Figure 5 illustrates the difference in quarterly growth rates in recent quarters. An implication of a slower growing economy is less inflationary pressure, consistent with CPI inflation undershooting expectations last year. On the other hand, if lower actual growth accounts for the lower inflation, then potential growth may not be as high as assumed previously, suggesting that inflation pressures will still emerge.

Figure 5: Recent growth revised lower



Source: Statistics NZ

Measures of productivity and associated inputs of capital and labour will have changed as well. These changes are likely to be at the margin, but further analysis of the implications will be undertaken.

Overall, the Treasury's view of the economy remains consistent with the outlook contained in the HYEFU (finalised before the new data were released). Data revisions are a regular occurrence, and while these recent changes were larger and more significant than usual, the underlying interpretation of developments in the economy is the same.

The New Zealand economy is growing at a pace slightly faster than potential with any spare capacity being absorbed (i.e. the output gap is close to zero). This has enabled growth to be solid without generating inflation pressure to date. However, future growth faster than trend will result in inflationary pressure developing (as a positive output gap grows). This pressure will be offset by developments in world commodity markets, especially lower oil prices.

The effect of lower oil, and other commodity, prices will be a feature of the Budget forecasts.

Contact for enquiries:
The Treasury
PO Box 3724, Wellington
NEW ZEALAND

information@treasury.govt.nz
Tel: +64 4 472 2733
Fax: +64 4 473 0982

New Zealand Key Economic Data

Quarterly Indicators

		2013Q2	2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.4	1.0	0.6	0.9	0.7	1.0	...
	ann ave % chg	2.1	2.4	2.2	2.5	2.8	2.9	...
Real private consumption	qtr % chg[1]	0.8	0.3	0.8	0.3	1.3	1.5	...
	ann ave % chg	2.5	2.8	2.9	2.9	2.8	3.0	...
Real public consumption	qtr % chg[1]	0.6	1.6	0.4	1.2	1.0	0.4	...
	ann ave % chg	0.1	1.1	1.9	2.7	3.5	3.5	...
Real residential investment	qtr % chg[1]	0.9	7.2	0.6	10.9	-0.3	0.0	...
	ann ave % chg	16.4	16.3	16.6	16.6	18.0	16.3	...
Real non-residential investment	qtr % chg[1]	5.5	4.1	-0.5	-0.6	2.7	3.8	...
	ann ave % chg	3.2	4.8	6.2	8.4	8.7	7.2	...
Export volumes	qtr % chg[1]	-3.0	-0.8	3.5	2.9	-4.2	-0.4	...
	ann ave % chg	3.1	1.3	1.1	0.3	0.4	1.5	...
Import volumes	qtr % chg[1]	1.8	4.0	0.2	2.1	3.0	0.3	...
	ann ave % chg	2.5	4.6	6.3	8.0	8.9	8.0	...
Nominal GDP - expenditure basis	ann ave % chg	2.0	3.1	5.4	6.8	8.1	7.7	...
Real GDP per capita	ann ave % chg	1.5	1.7	1.4	1.5	1.6	1.5	...
Real Gross National Disposable Income	ann ave % chg	1.9	3.0	4.3	5.7	6.4	6.2	...
External Trade								
Current account balance (annual)	NZ$ millions	-7,894	-8,476	-7,350	-6,005	-5,814	-6,090	...
	% of GDP	-3.6	-3.9	-3.3	-2.6	-2.5	-2.6	...
Investment income balance (annual)	NZ$ millions	-8,501	-8,507	-9,027	-9,338	-9,770	-9,947	...
Merchandise terms of trade	qtr % chg	4.6	7.5	2.5	1.8	0.1	-4.5	...
	ann % chg	4.3	15.8	20.2	17.3	12.2	-0.2	...
Prices								
CPI inflation	qtr % chg	0.2	0.9	0.1	0.3	0.3	0.3	-0.2
	ann % chg	0.7	1.4	1.6	1.5	1.6	1.0	0.8
Tradable inflation	ann % chg	-1.6	-0.5	-0.3	-0.6	0.1	-1.0	-1.3
Non-tradable inflation	ann % chg	2.5	2.8	2.9	3.0	2.7	2.5	2.4
GDP deflator	ann % chg	-0.1	3.7	7.6	5.8	4.8	1.7	...
Consumption deflator	ann % chg	0.2	0.6	1.0	0.9	1.0	0.6	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.5	1.3	1.0	0.9	0.5	0.8	...
	ann % chg[1]	0.7	2.5	3.0	3.7	3.7	3.2	...
Unemployment rate	%[1]	6.4	6.1	6.0	6.0	5.6	5.4	...
Participation rate	%[1]	68.1	68.6	68.9	69.2	68.9	69.0	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.4	0.5	0.3	0.5	0.5	...
	ann % chg	1.7	1.6	1.6	1.5	1.6	1.7	...
QES average hourly earnings - total[5]	qtr % chg	0.2	1.6	0.2	0.5	0.2	1.4	...
	ann % chg	2.1	2.6	2.9	2.5	2.5	2.3	...
Labour productivity[6]	ann ave % chg	1.5	0.4	-0.9	-1.0	-1.1	-0.9	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	1.8	-0.3	1.0	1.1	1.2	1.4	...
	ann % chg	4.4	4.3	3.7	3.6	3	4.5	...
Total retail sales volume	qtr % chg[1]	1.2	0.3	1.2	1	1.1	1.5	...
	ann % chg	4.2	4.7	3.9	3.8	3.6	4.7	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	117	115	120	122	121	117	115
QSBO - general business situation[4]	net %	35.9	37.8	52.8	51.7	31.7	19.0	22.8
QSBO - own activity outlook[4]	net %	0.8	6.1	19.0	33.9	20.1	12.8	30.2

Monthly Indicators

		2014M07	2014M08	2014M09	2014M10	2014M11	2014M12	2015M01
External Sector								
Merchandise trade - exports	mth % chg[1]	3.5	-7.6	14.8	-3.0	-7.8	...	...
	ann % chg[1]	-3.8	7.2	-5.6	-5.8	-9.5	...	...
Merchandise trade - imports	mth % chg[1]	-9.0	15.0	-9.1	3.8	2.5	...	...
	ann % chg[1]	0.2	-11.8	23.2	11.2	-1.3	...	...
Merchandise trade balance (12 month total)	NZ$ million	1034	1805	656	-87	-453	...	...
Visitor arrivals	number[1]	235,800	229,420	232,840	241,090	248,670	...	...
Visitor departures	number[1]	238,020	238,830	232,120	238,350	259,420	...	...
Housing								
Dwelling consents - residential	mth % chg[1]	-2.1	-0.2	-11.6	9.8	10.0	...	...
	ann % chg[1]	20.5	15.7	6.6	13.8	6.7	...	...
House sales - dwellings	mth % chg[1]	4.9	-4.6	4.9	7.5	3.0	16.9	...
	ann % chg[1]	-13.0	-16.3	-12.0	-2.4	6.5	24.2	...
REINZ - house price index	mth % chg	0.2	0.2	0.1	0.7	2.4	...	...
	ann % chg	5.9	4.8	4.1	3.9	6.0	...	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	-0.2	0.8	0.1	1.0	-0.2	-0.1	...
	ann % chg	5.1	4.1	5.4	5.7	3.3	3.5	...
New car registrations	mth % chg[1]	1.9	-1.2	2.9	-1.6	0.0	2.0	...
	ann % chg	16.6	18.7	31.1	21.3	16.5	21.0	...
Migration								
Permanent & long-term arrivals	number[1]	9,330	9,510	9,580	9,900	9,810	...	...
Permanent & long-term departures	number[1]	4,750	4,760	4,850	4,660	4,790	...	...
Net PLT migration (12 month total)	number	41,043	43,483	45,414	47,684	49,836	...	...
Commodity Prices								
Brent oil price	US$/Barrel	106.77	101.61	97.09	87.43	79.44	62.34	*48.66*
WTI oil price	US$/Barrel	103.59	96.54	93.21	84.37	75.79	59.29	*48.24*
ANZ NZ commodity price index	mth % chg	-3.4	-0.4	1.6	2.4	-1.6	-3.8	...
	ann % chg	-11.5	-12.5	-9.9	-6.8	-8.7	-13.7	...
ANZ world commodity price index	mth % chg	-2.4	-3.3	-1.3	-0.8	-1.6	-4.4	...
	ann % chg	-3.3	-7.2	-9.4	-11.3	-12.4	-17.2	...
Financial Markets								
NZD/USD	$[2]	0.8697	0.8435	0.8167	0.7869	0.7832	0.7764	*0.7727*
NZD/AUD	$[2]	0.9259	0.9065	0.9001	0.8973	0.9051	0.9400	*0.9497*
Trade weighted index (TWI)	June 1979 = 100[2]	81.93	79.91	78.49	76.76	77.43	78.24	*78.82*
Official cash rate (OCR)	%	3.50	3.50	3.50	3.50	3.50	3.50	3.50
90 day bank bill rate	%[2]	3.67	3.69	3.71	3.68	3.67	3.67	*3.67*
10 year govt bond rate	%[2]	4.37	4.20	4.20	4.04	4.03	3.78	*3.47*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	39.7	24.4	13.4	26.5	31.5	30.4	...
ANZ - activity outlook	net %	45.1	36.6	37.0	37.8	41.7	37.3	...
ANZ-Roy Morgan - consumer confidence	net %	132.7	125.5	127.7	123.4	121.8	126.5	128.9
Performance of Manufacturing Index	Index	53.7	56.9	58.4	58.7	55.6	57.7	...
Performance of Services Index	Index	58.6	57.6	57.7	56.8	54.7	56.5	...

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