Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

March 2015

Executive Summary

- **Real GDP rose 0.8% in the December quarter, the same as Treasury's HYEFU forecast**
- **Partial indicators for 2015 remain consistent with a solid growth outlook**
- **Nevertheless, the domestic inflation outlook remains weak with the RBNZ reaffirming their on hold policy stance in the March *Monetary Policy Statement***

Real production GDP rose 0.8% in the December quarter, the same as Treasury's HYEFU forecast. Growth was driven by services activity, reflecting a surge in international tourism expenditure.

Indicators continue to support the outlook for strong activity in the first half of 2015. Elevated net migration inflows and a high level of consumer and business confidence, partly reflecting lower fuel prices and easy credit conditions, continue to point to solid growth in consumption and investment. Drought conditions are expected to have a small negative impact on agricultural output in 2015.

However, nominal GDP growth was soft in the December quarter at 0.4%, partly owing to a fall in the terms of trade. Annual inflation is expected to remain weak in 2015 as the impact of lower oil prices flows through, pointing to weaker growth in nominal GDP in the near term. The Reserve Bank left the OCR unchanged at 3.5% in March and forecast a period of stability in the OCR, while revising down its inflation forecasts amidst weaker household inflation expectations.

The annual current account deficit widened to 3.3% of GDP in the December quarter, up from 2.6% in the September quarter. This was driven by a lower goods surplus, as the fall in dairy prices over 2014 dampened export values and imports grew. Dairy prices have recovered 16% this year despite falling in the second half of March, and Fonterra retained its farm gate milk price forecast at $4.70 per kilogram of milk solids.

The US recovery has moderated from 2014, owing partly to the harsh winter and a stronger USD. At the same time, demand has picked up in the euro area and Japan. However, China's growth outlook weakened and the Chinese government lowered its 2015 growth target to around 7%. Expectations of US monetary tightening led to volatility in US markets, while the ECB's asset purchase programme lifted investor sentiment in the euro area.

This month's special topic reports on the March 2015 business talks. Treasury officials met with around 30 businesses in Auckland, Wellington and Christchurch to discuss the outlook for the economy. Overall, most businesses were experiencing high levels of activity, especially those with exposure to tourism, and although pricing intentions remain subdued, margins and profitability remain healthy thanks to investment in productivity improvements.

New Zealand Government

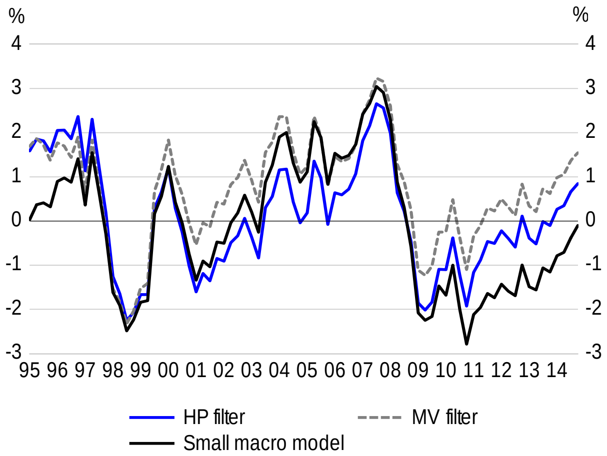
Solid domestic demand but weak inflation

Real gross domestic product (GDP) growth in the December quarter was in line with Treasury's *Half Year Economic and Fiscal Update* (HYEFU). The outturn supported the key themes presented in the HYEFU of strong real activity but in a low inflation environment.

Recent demand indicators also support that outlook. Consumer confidence and business sentiment both remain at elevated levels and, with surging net migration and robust employment growth, the outlook for real activity remains strong.

Spare capacity continues to be absorbed as output expands at an above-trend rate of growth. Treasury's preferred measure of the output gap, derived from a small macro model[1], indicates that the economy is currently operating at around capacity (Figure 1). Despite that, non-tradables inflation has been relatively muted and – with inflation expectations continuing to moderate – the Reserve Bank reaffirmed its on hold policy stance in its March *Monetary Policy Statement*.

Figure 1: Output gap estimates



Source: The Treasury

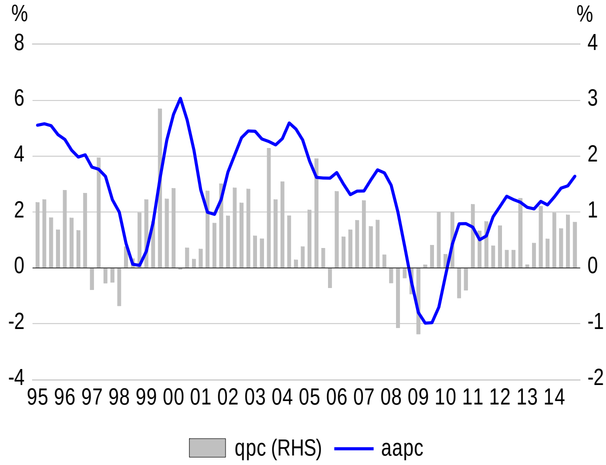
Headline growth in line with expectations…

Real production GDP rose 0.8% in the December 2014 quarter, the same as Treasury's HYEFU forecast. In annual terms, the economy continued to grow at an above-trend rate with output expanding by 3.3% in the year ended December – up from 2.9% in the previous quarter (Figure 2).

[1] http://www.treasury.govt.nz/publications/research-policy/wp/2013/13-18/twp13-18.pdf

Growth in the quarter was driven by a 0.8% rise in the service industries.

Figure 2: Real production GDP growth



Source: Statistics NZ

Retail trade and accommodation provided the largest contribution to service industry growth, rising 2.3%, owing in part to a surge in international tourism expenditure. Meanwhile, increased house sales underpinned a 1.2% rise in the rental, hiring and real estate services industry, consistent with a resurgent housing market.

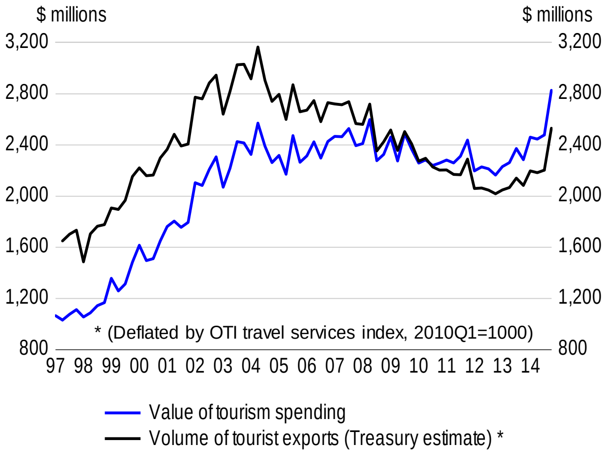
The largest negative contribution to quarterly growth came from utilities. This was due to a decline in hydro-electricity generation given low lake levels – a consequence of a drier winter.

…driven by services…

Real expenditure GDP rose 1.1% in the quarter, following a 1.1% rise in the September quarter. Net exports provided the largest contribution with exports of goods and services rising a combined 6.1%, supported by an 8.8% surge in services exports. This more than offset the 3.0% rise in goods and services imports.

The rise in services export volumes chiefly reflected a 15% surge in tourism expenditure in the December quarter (Figure 3) driven by an increased number of visitors and increased per person spend. Average spending by visitors from China, the US and the UK increased throughout 2014, while Australian average spending fell, likely reflecting the decline in the AUD against the NZD. The surge in spending was consistent with the upbeat mood of tourism and hospitality industry participants in our recently completed business talks (see this month's special topic).

Figure 3: Quarterly travel services exports



Source: Statistics NZ, NZ Treasury

Short-term visitor arrivals for the first two months of 2015 indicate that the higher level of tourism expenditure will likely persist in the March quarter. Visitor arrivals in the first two months of 2015 from China are up 39% compared to the same period last year, in-part reflecting higher arrivals for the Chinese New Year. A 2.8% rise in hospitality spending in February's electronic card data also supports that view.

Domestic demand held up well in the December quarter despite a much greater proportion of domestic consumption being attributed to international tourists. Private consumption rose 0.6%, supported by durables and services consumption.

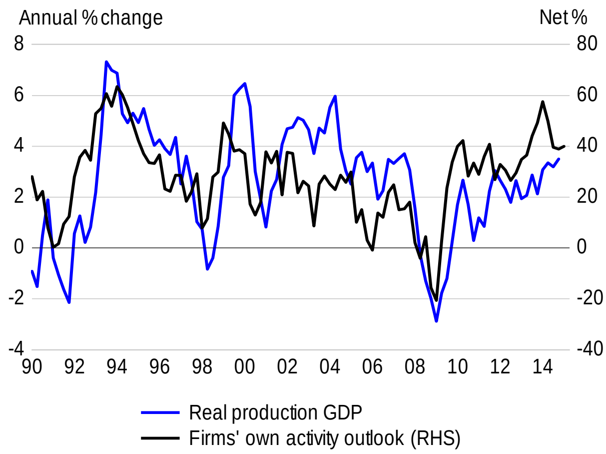
Total investment rose 0.2%, with a 5.2% rise in residential building investment offsetting a 0.9% fall in business investment. The decline in business investment largely reflects fewer large aircraft imports in the quarter. A large pipeline of non-residential consenting suggests that the contraction in non-residential construction in the quarter was temporary.

…and indicators supportive of a solid growth outlook…

Solid activity indicators bode well for growth in the first half of 2015. However, as indicated last month, drought conditions and lower dairy prices are expected to have a modest negative impact on agricultural production in the first half of 2015. Despite dairy production holding up well – with Fonterra revising their current season production forecast to -2% from -3.3% in their 2015 interim financial result – meat slaughter is a little weaker than expected.

The ANZ-Roy Morgan and Westpac McDermott Miller consumer confidence indices each nudged higher in March – buoyed by lower fuel prices and declines in fixed-term mortgage rates. Business sentiment continued to improve in the first ANZ Business Outlook survey of 2015. Business confidence and firms' own activity expectations remain at historically high levels (Figure 4), while both the BNZ-BusinessNZ PMI and PSI indicated healthy levels of expansion in the manufacturing and service industries in February.

Figure 4: Business sentiment



Source: ANZ, Statistics NZ

Meanwhile, the boost to population growth from net permanent and long term migration continues with a seasonally adjusted net gain of 4,800 migrants in February – which took annual net migration to a record high of 55,100, exceeding our HYEFU forecast for the year to March.

…and solid housing demand…

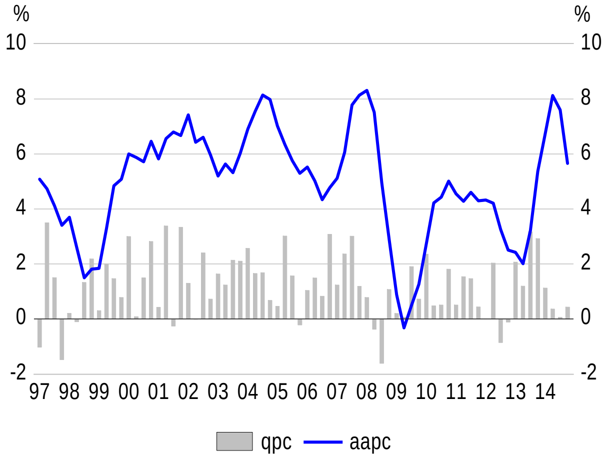
Housing market activity has continued to increase since September with lower fixed-term mortgage rates and strong net migration supporting housing demand. House sales rebounded in February after a softer January. REINZ data showed sales rose 12.6% in the year to February. Median sales prices rose 0.8% in the month and 3.6% in the year – overwhelmingly driven by a 14% rise in Auckland's median sales price.

…but nominal growth remains weak…

The SNA total terms of trade fell 2.2% in the December quarter as export prices fell 2.2%, while import prices were flat. This moderated nominal GDP growth to just 0.4% in the December quarter – moving annual average growth to 5.7% (Figure 5).

Annual inflation is expected to have fallen to around 0% in the March quarter – as the flow through from oil prices is fully captured – and inflation is expected to remain low throughout 2015. As a consequence of the weaker outlook for domestic prices we expect quarterly nominal GDP growth to be softer than forecast in the near term.

Figure 5: Nominal expenditure GDP



Source: Statistics NZ

…however tax revenue ahead of forecast…

The quarterly nominal growth outturn was stronger than Treasury's HYEFU forecast and consistent with the positive variance in tax revenue for the seven months to January. Stronger profitability from both non-incorporated and corporate entities meant other individuals' tax and corporate tax were each $158 million above forecast. Source deductions were also $146 million above forecast, resulting in core Crown tax revenue being $456 million ahead of forecast.

…and OCR left unchanged in March MPS

The RBNZ left the OCR unchanged at 3.5% in the March MPS with the Bank's central forecast supporting a period of stability in the OCR. Major downgrades to the inflation forecast reflected oil price developments and softer inflation expectations. The RBNZ explicitly stated they would not respond to the direct effects of the oil price fall; however, the impacts of lower inflation expectations on wage and price setting behaviour would be monitored closely.

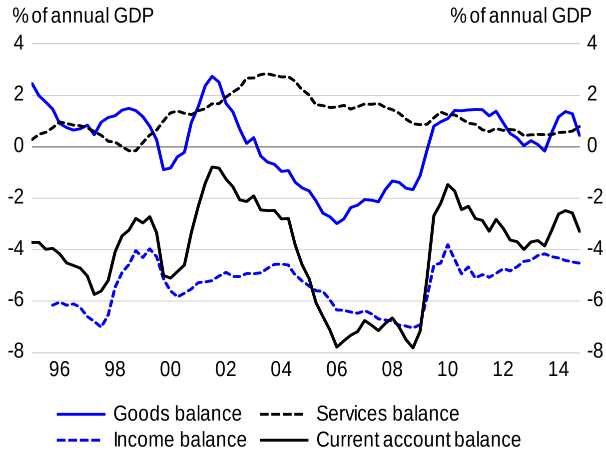
The most recent survey of expectations showed one year ahead inflation expectations have eased to 1.1% (previously 1.6%), while two year ahead eased to 1.8% (previously 2.1%) – the lowest levels since the OCR was introduced in March 1999.

Although the RBNZ reiterated that the NZD remains "unjustifiably high and unsustainable", market participants perceived the statement as less dovish than they were expecting given markets were pricing some probability of a cut in the rate. This saw the NZD appreciate sharply on release. The NZD has appreciated considerably after some mid-month weakness as a result of USD strength (see international section), with the NZD reaching post-float highs against the AUD and EUR. The higher value of the NZD will place further downward pressure on tradables prices in the near term.

Annual current account deficit widens…

The annual current account deficit widened to 3.3% of GDP in the December quarter (Figure 6) from 2.6% of GDP in the September quarter.

Figure 6: Current account components (% of GDP)



Source: Statistics NZ

…driven by a sharp narrowing in the annual goods surplus…

As expected, the deterioration was driven by a narrowing in the annual goods surplus to $1.1 billion (0.4% of GDP) from $3.1 billion in the previous quarter. This decline was spread evenly across both lower export values and higher import values.

The fall in exports represents continued flow-through from the sharp declines in dairy prices throughout 2014. Dairy prices have risen 16% this year from low levels, although in the most recent auction they fell 8.8%. Fonterra kept their farm gate milk price forecast unchanged at $4.70 per kg/MS, but lowered the dividend range from 25-35 cents to 20-30 cents per share.

The rise in import values was spread fairly evenly across the major goods import categories, reflecting strong consumer and business demand. For the year, increases have been driven primarily by capital goods imports, in part reflecting Air New Zealand's fleet upgrade.

…but travel service exports surge…

The surge in tourism expenditure in the quarter saw the annual services balance rise by $0.4

billion to $1.9 billion (0.8% of GDP). This more than offset greater investment income outflows given stronger corporate profitability relative to international returns on New Zealand's investment abroad. The annual income deficit widened by $200 million to $10.8 billion (-4.5% of GDP).

…but annual deficit expected to widen further

On an annual basis, the current account deficit is expected to continue widening to over 5% of GDP by the end of 2015. That said, the current account deficit is now expected to peak at narrower levels than estimated in the HYEFU, reflecting lower oil prices and the impact of higher levels of tourism expenditure in the near term. Most of the widening will be a result of the annual goods balance moving from surplus to deficit in the March quarter of 2015, as lower dairy export values continue to flow through the merchandise trade data and strong demand boosts imports.

Global activity slightly more balanced

The growth outlook across the major advanced economies has become more balanced. The recovery in the US and UK has moderated, while demand in the euro area and Japan has picked up. However, the outlook for China and other Asian economies has weakened. Concerns over US monetary tightening led to some volatility in US markets, but the European Central Bank's (ECB) quantitative easing (QE) programme lifted investor confidence in the euro area.

US and UK recoveries moderate from 2014...

The US expansion has slowed from mid-2014, with GDP growth in the December quarter (Q4) revised down 0.2% points to 0.5%. Business investment growth slowed, partly as a weaker outlook for energy prices led oil companies to scale back investment projects, while USD appreciation began to weigh on export growth.

Since then, US economic data have mostly been weaker than expected (Figure 7). Consumer confidence eased in March from its 14-year high in January, resulting in a fall in retail spending. Weaker household sentiment and spending was partly driven by the harsh winter and higher petrol prices. Poor weather also dampened construction and manufacturing activity. On a positive note, the labour market recovery remained robust, with non-farm payrolls rising 288,000 in February, while the unemployment rate fell 0.2% points to 5.5%.

Figure 7: Citigroup data surprise index

Source: Haver

In the UK, the recovery continued at a slightly slower pace, with jobs growth easing from mid-2014. However, forecasters still expect 2015 growth in the US (3.1%) and the UK (2.7%) to remain significantly stronger than in other major advanced economies.

...while activity picks up from a low level in other major advanced economies

Euro area activity has rebounded from low levels and in general has exceeded expectations (Figure 7), owing to a pick-up in the labour market, declines in petrol prices and low interest rates. The unemployment rate fell 0.1% point to 11.2% in January, down from 11.6% in mid 2014. Higher jobs growth and lower fuel prices supported fast growth in retail sales volumes (3.7% on a year ago in January), and bank lending to the private sector rebounded. Since December, forecasters have revised up 2015 growth for the euro area by 0.3% points to 1.4%.

In Japan, domestic demand expanded modestly in 2014Q4, led by private consumption, and exports surged on the back of a weak exchange rate. Consumer confidence recovered in early 2015 as a result of lower petrol prices and the delay in the second sales tax rise, supporting increased activity. The average forecast of 2015 growth has remained at 1.1% since December, but the 2016 outlook has been revised up 0.7% points to 1.7%.

Australia's growth remains below trend...

The Australian economy grew 0.5% in Q4, bringing growth in 2014 to 2.7%, in line with market expectations. Business investment fell, but low interest rates boosted household consumption and dwelling investment. Data point to continued steady growth in the interest rate-sensitive sectors in early 2015, supported by higher consumer confidence and solid house price growth. However, employment growth has slowed since Q4 and the unemployment rate in February (6.3%) was above its Q4 average (6.2%).

...and China lowered its growth target

China's growth was relatively weak in early 2015, reflecting restraint in local government spending, the government's anti-corruption policy, falling house prices and relatively tight monetary conditions. The government lowered its 2015 growth target to "about 7%" (from 7.5%) and stated the need for deeper reforms to ensure sustainable growth in the long term. Annual inflation rose to 1.4% in February from 0.8%, but was still lower than the government's target of "about 3%". To achieve the growth target, analysts expect continued yet cautious monetary easing by the People's Bank of China.

The outlook for other East Asian economies has weakened, driven by a downgrade to China's growth forecasts. Country-specific factors also contributed, including slow structural reforms and lower commodity export prices. Soft data led to policy rate cuts by the central banks of Korea (to 1.75%), Thailand (1.75%), and Indonesia (7.5%).

Monetary policy still expected to diverge...

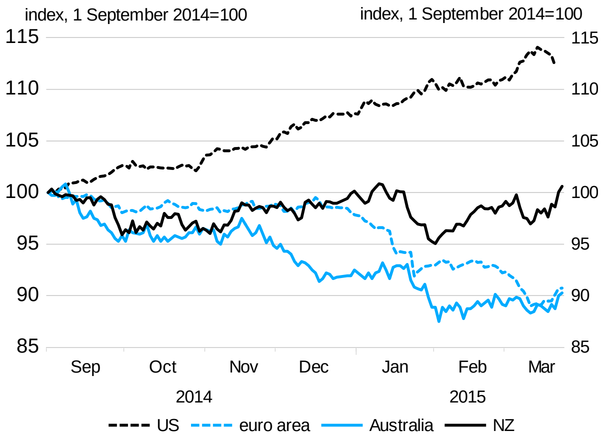
Monetary policy in the advanced economies continues to diverge, although the disparity in policy outlooks narrowed, which reflects the slightly more balanced economic outlooks. The US Federal Reserve's (Fed) March statement confirmed its intention to raise its policy rate in the second half of 2015. However, the Fed signalled a more accommodative outlook over the next two years than previously, noting recent soft data and revising down its forecasts of GDP growth, inflation, and the Fed Funds rate. Meanwhile, markets expect the Bank of England to leave policy steady over 2015, contrasting with earlier expectations of tightening.

The ECB began its QE programme on 9 March, indicating its willingness to buy assets with negative yields. The Bank of Japan sustained its QE, and stated that the programme will continue for as long as necessary to achieve 2% inflation. The Reserve Bank of Australia held its policy rate at 2.25% as it waits for more data to assess the economic outlook, but signalled further easing in coming months.

...leading to more contrasting market moves

US markets were volatile in early March, as expectations of Fed tightening rose in the lead-up to the Fed's statement. The 10-year US Treasury yield rose to a three-month high of 2.2%, before falling below 2.0% following the release of the Fed's statement, and the S&P500 declined from its all-time high. Meanwhile, sentiment was buoyant in euro area markets, with the Stoxx600 up 1.9% as investors shifted to higher-yielding assets, following a 5-10 bps reduction in 10-year bond yields across the euro area as the ECB's QE boosted bond demand. Brent crude oil prices reversed their increase in February, tumbling 13% to $US54/bbl over the course of March, and iron ore prices fell 12% over the same period, owing to high levels of inventories and USD appreciation (which dampened prices expressed in USD).

Figure 8: Trade-weighted exchange rate indices



Source: Haver

Currency moves also reflected the divergence in global monetary policy. The USD rose 4.3% in trade-weighted terms since the start of 2015 (Figure 8), driven by an 11% appreciation against the EUR and was also higher against the commodity-based currencies. The NZD TWI initially fell in the first half of March, owing to depreciation against the USD, before rebounding later as the USD showed some weakness and the NZD rose to post-float highs against the AUD and EUR. The NZD TWI was at 79.1 towards the end of the month, higher than its February average (77.2).

Special Topic: March 2015 Business Talks

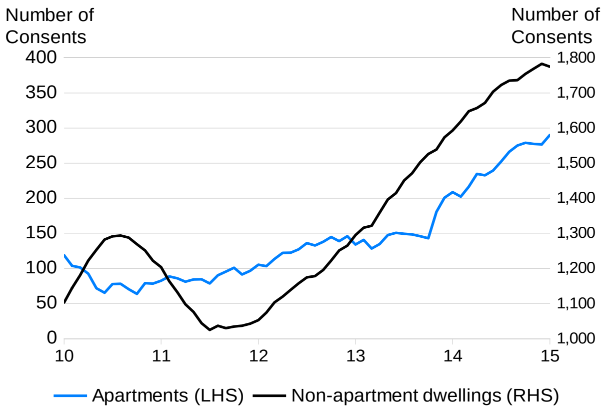
In the second week of March, Treasury officials met with around 30 businesses in Auckland, Wellington and Christchurch to discuss the outlook for the economy. The information gathered will be used to inform the Treasury's *Budget Economic and Fiscal Update*. The views summarised below are those of the businesses.

Overall, most businesses were experiencing strong levels of activity, especially those with exposure to tourism, and although pricing intentions remain subdued, margins and profitability remain healthy thanks to internal investment in productivity improvements.

Activity remains positive…

Trading activity has remained solid across the country. Most businesses had experienced high levels of sales recently and were expecting this to continue or strengthen going forwards. Retailers in particular have seen strong sales since the start of the year, partly attributable to lower fuel prices boosting household disposable incomes as well as warmer weather encouraging consumers to make more short trips and holidays. This fits with the trend seen in electronic card transactions data, which showed a 1.0-1.2% month-on-month increase in seasonally adjusted core retail sales for both January and February.

Figure 9 – New building consents (12 mma)



Source: Statistics New Zealand

Activity within the Auckland property sector remains buoyant. Commercial property sales are relatively low at present largely because vacancy rates are at low levels. Meanwhile residential property values have moved to the point where apartment developments are economically feasible, which should stimulate further activity. This shift is evident in the acceleration of the upwards trend in the number of apartment building consents being issued (Figure 9).

Construction activity in the Canterbury region has remained steady but growth is expected to slow. Construction of horizontal infrastructure has been proceeding well but there was a concern that building construction is lagging behind, which could lead to a potential gap when the horizontal projects draw to an end.

Commodity exporters were in general seeing softer demand for their products. A large element of this was slower growth in China which was leading to weaker demand either directly or via China's wider influence in global markets. This is visible in the merchandise trade data where dairy and meat export volumes have fallen in January and February, while forestry export volumes fell through December and January. Although price outlooks were mixed, it was noted that falling freight prices (as a result of lower fuel costs and surplus shipping availability) and depreciation of the dollar have helped improve returns for New Zealand producers.

...with tourism doing particularly well

The hospitality sector in general and tourism in particular were seeing high levels of activity. Elevated visitor arrivals, particularly of Chinese tourists although traditional markets are also increasing, have led to high levels of activity over the summer. The Chinese government's move to allow more "free and independent travellers", who tend to spend more per visit, has been a positive development. The successful tourist season is evident in the official statistics (Table 1), and visitor arrivals have increased further in January and February to new record levels.

Table 1 – Short term visitor arrivals and median spend

	Visitor Arrivals			Median Spend per Visit ($)		
	2013	2014	% Change	2013	2014	% Change
Australia	1,218,016	1,247,760	2.4%	1500	1200	-20.0%
China	228,928	264,864	15.7%	2200	2900	31.8%
United Kingdom	191,632	194,416	1.5%	2500	2900	16.0%
United States	201,424	220,512	9.5%	2300	2600	13.0%
All Others	877,695	929,848	5.9%	n/a	n/a	n/a
Total	2,717,695	2,857,400	5.1%	1880	1860	-1.1%

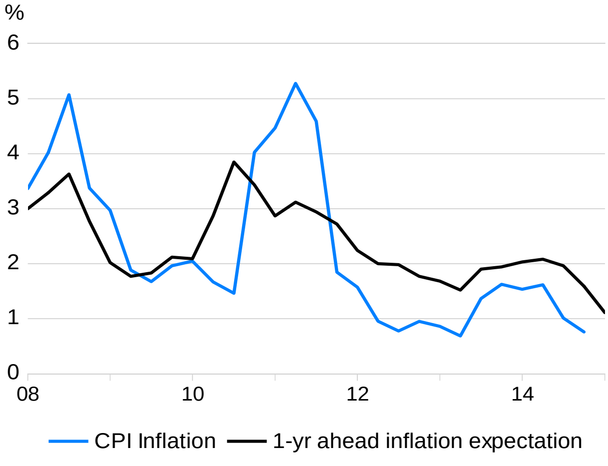
Source: Statistics New Zealand, MBIE

Queenstown has been a major beneficiary of the increase in visitor arrivals, with tourist operators reporting double digit sales growth in the region; this has spilled over into retail operations too. Tourist destinations in the central and upper North Island have also seen higher visitor numbers, partly attributed to the "Hobbit Effect" as well as cruise ship arrivals and a number of events in Auckland. Although some tourist destinations had benefitted from the Cricket World Cup, the general perception was that it has had limited impact on tourist numbers and spending overall. This appears consistent with the February visitor arrivals, which do not show a material increase from cricket-playing nations. The outlook for tourism is positive, with a high level of bookings for next summer and some businesses already looking forward to the 2017 Lions Tour.

Pricing intentions remain subdued...

Most businesses were expecting their sales prices to remain relatively unchanged, with only modest increases at best. A handful of businesses, mostly in the retail sector, were even anticipating lowering prices in coming months. Robust domestic and international competition within industries, coupled with the impact of the exchange rate on imported goods prices were commonly cited drivers behind soft prices. Subdued price inflation is consistent with the latest CPI data, where inflation stood at 0.8% in the year to December 2014, as well as more recent surveys of inflation expectations (Figure 10). The small numbers of businesses that are contemplating more substantive price increases are concentrated in areas facing structural change or capacity issues, such as the health care and retirement services sectors.

Figure 10 – CPI inflation and inflation expectations



Source: Statistics New Zealand, RBNZ

...with rising costs putting margins under pressure

While selling prices were expected to remain fairly steady at current levels, costs appear to be creeping higher, resulting in margin compression for most businesses. One of the larger cost drivers was labour, with most companies expecting labour costs to increase 2-3% this year, partly as a result of the recent increase in the minimum wage. This appears consistent with the latest QES survey, which showed growth in average hourly earnings of 2.6% in the year to December. The depreciation of the NZD was a concern for those with high exposure to imported goods as inputs in their businesses. Costs related to property, including leases and construction costs, have also risen.

Businesses were protecting margins in a number of ways. A significant proportion of businesses were focussing investment on improving internal supply chains and productivity, often through the innovative application of technology. Other more labour-intensive businesses were focussing on maximising the productivity of their employees through increasing the flexibility of the labour pool. Finally, some businesses, particularly in the retail space, were trying to shift their product mix towards more premium products that offer better margins. All of these approaches have positive implications for total productivity growth in New Zealand in the near term. Furthermore, firms' ability to protect their margins may be part of the reason that corporate tax outturns are tracking ahead of expectations despite relatively muted nominal GDP growth.

The labour market continues to tighten

All businesses were expecting to maintain or expand their labour forces. It is getting harder to find labour at all levels, although the availability of migrant labour has alleviated some of the pressures at the less skilled end of the market. Employment agencies reported that the pool of available workers to place into jobs is getting smaller as unemployment continues to fall. Attracting and, to a certain extent, retaining skilled labour continues to remain an issue for most of the organisations. Taken together these factors point to further tightening of the labour market.

What does this mean for the outlook?

Overall, the feedback from businesses is consistent with recent business surveys and data outturns as well as the 2014 *Half Year Economic and Fiscal Update* (HYEFU), which forecast solid levels of activity but weak pricing over the coming year. While the Canterbury rebuild remains a major driver of activity, increasingly other regions, especially Auckland, and sectors are taking up the slack. Solid employment intentions and expectations of wage growth in excess of inflation should support private consumption, with an expanding tourist sector providing further support.

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

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New Zealand Key Economic Data

Quarterly Indicators

		2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4	2015Q1
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	1.1	0.5	1.0	0.7	0.9	0.8	...
	ann ave % chg	2.4	2.3	2.5	2.8	2.9	3.3	...
Real private consumption	qtr % chg[1]	0.2	1.0	0.3	1.2	1.4	0.6	...
	ann ave % chg	2.8	2.9	2.9	2.8	3.0	3.2	...
Real public consumption	qtr % chg[1]	1.5	0.4	1.2	1.0	0.4	0.6	...
	ann ave % chg	1.1	1.9	2.7	3.5	3.5	3.6	...
Real residential investment	qtr % chg[1]	7.6	0.5	10.7	-0.4	0.2	5.2	...
	ann ave % chg	16.3	16.6	16.6	18.0	16.2	16.6	...
Real non-residential investment	qtr % chg[1]	3.8	-0.2	-0.8	2.8	3.5	-0.9	...
	ann ave % chg	4.8	6.2	8.4	8.7	7.2	6.0	...
Export volumes	qtr % chg[1]	-0.3	2.5	3.1	-3.8	-0.1	6.1	...
	ann ave % chg	1.3	1.1	0.3	0.4	1.5	2.7	...
Import volumes	qtr % chg[1]	4.1	0.2	1.9	3.0	0.3	3.0	...
	ann ave % chg	4.6	6.3	8.0	8.9	7.9	7.9	...
Nominal GDP - expenditure basis	ann ave % chg	3.2	5.4	6.8	8.2	7.7	5.6	...
Real GDP per capita	ann ave % chg	1.7	1.4	1.5	1.7	1.6	1.8	...
Real Gross National Disposable Income	ann ave % chg	3.0	4.3	5.8	6.5	6.3	5.0	...
External Trade								
Current account balance (annual)	NZ$ millions	-8,476	-7,350	-6,005	-5,814	-6,093	-7,822	...
	% of GDP	-3.9	-3.3	-2.6	-2.5	-2.6	-3.3	...
Investment income balance (annual)	NZ$ millions	-8,507	-9,027	-9,338	-9,770	-9,956	-10,056	...
Merchandise terms of trade	qtr % chg	7.5	2.5	1.8	0.1	-4.5	-1.9	...
	ann % chg	15.8	20.2	17.3	12.2	-0.3	-4.6	...
Prices								
CPI inflation	qtr % chg	0.9	0.1	0.3	0.3	0.3	-0.2	...
	ann % chg	1.4	1.6	1.5	1.6	1.0	0.8	...
Tradable inflation	ann % chg	-0.5	-0.3	-0.6	0.1	-1.0	-1.3	...
Non-tradable inflation	ann % chg	2.8	2.9	3.0	2.7	2.5	2.4	...
GDP deflator	ann % chg	3.6	7.7	5.7	4.8	1.7	-1.7	...
Consumption deflator	ann % chg	0.6	0.9	0.9	1.0	0.7	0.7	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	1.3	0.9	1.0	0.4	0.9	1.2	...
	ann % chg[1]	2.5	3.0	3.7	3.7	3.2	3.5	...
Unemployment rate	%[1]	6.1	6.0	6.0	5.6	5.4	5.7	...
Participation rate	%[1]	68.6	68.8	69.3	68.8	69.0	69.7	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.5	0.3	0.5	0.5	0.5	...
	ann % chg	1.6	1.6	1.5	1.6	1.7	1.7	...
QES average hourly earnings - total[5]	qtr % chg	1.6	0.2	0.5	0.2	1.4	0.5	...
	ann % chg	2.6	2.9	2.5	2.5	2.3	2.6	...
Labour productivity[6]	ann ave % chg	0.4	-0.9	-1.0	-1.0	-0.8	-0.3	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	-0.3	1.0	1.1	1.2	1.5	1.5	...
	ann % chg	4.3	3.7	3.6	3	4.5	6	...
Total retail sales volume	qtr % chg[1]	0.3	1.2	1	1	1.6	1.7	...
	ann % chg	4.7	3.9	3.8	3.6	4.7	5.9	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	115	120	122	121	117	115	117
QSBO - general business situation[4]	net %	37.8	52.8	51.7	31.7	19.0	22.8	...
QSBO - own activity outlook[4]	net %	6.1	19.0	33.9	20.1	12.8	30.2	...

Monthly Indicators

		2014M09	2014M10	2014M11	2014M12	2015M01	2015M02	2015M03
External Sector								
Merchandise trade - exports	mth % chg[1]	14.8	-3.1	-6.4	5.8	-8.7	5.8	...
	ann % chg[1]	-5.3	-5.4	-9.0	-7.2	-9.6	-13.4	...
Merchandise trade - imports	mth % chg[1]	-9.1	3.6	2.6	-5.7	2.4	-3.2	...
	ann % chg[1]	23.2	11.2	0.8	8.1	-3.7	3.7	...
Merchandise trade balance (12 month total)	NZ$ million	667	-56	-492	-1182	-1434	-2181	...
Visitor arrivals	number[1]	233,310	241,280	249,030	246,200	249,230	266,490	...
Visitor departures	number[1]	232,740	239,710	257,830	253,280	251,580	259,610	...
Housing								
Dwelling consents - residential	mth % chg[1]	-13.3	10.7	10.4	-2.3	-3.8	...	...
	ann % chg[1]	6.6	13.8	6.7	8.1	3.6	...	...
House sales - dwellings	mth % chg[1]	4.7	7.3	2.7	17.6	-15.8	3.8	...
	ann % chg[1]	-12.0	-2.4	6.5	24.2	2.6	12.6	...
REINZ - house price index	mth % chg	0.1	0.8	2.1	0.4	0.9	0.1	...
	ann % chg	4.1	3.9	6.0	6.0	7.5	6.1	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.1	1.0	-0.3	-0.1	-0.3	1.0	...
	ann % chg	5.4	5.7	3.3	3.5	4.0	3.8	...
New car registrations	mth % chg[1]	3.2	-1.8	0.2	2.1	-0.7	-0.3	...
	ann % chg	31.1	21.3	16.5	21.0	17.1	12.1	...
Migration								
Permanent & long-term arrivals	number[1]	9,570	9,890	9,790	8,790	10,060	9,540	...
Permanent & long-term departures	number[1]	4,860	4,670	4,800	4,710	4,590	4,710	...
Net PLT migration (12 month total)	number	45,414	47,684	49,836	50,922	53,797	55,121	...
Commodity Prices								
Brent oil price	US$/Barrel	97.09	87.43	79.44	62.34	48.12	58.10	*56.13*
WTI oil price	US$/Barrel	93.21	84.40	75.79	59.29	47.52	50.58	*47.46*
ANZ NZ commodity price index	mth % chg	1.5	2.3	-1.4	-3.8	1.4	7.3	...
	ann % chg	-9.9	-6.9	-8.7	-13.7	-13.0	-7.4	...
ANZ world commodity price index	mth % chg	-1.3	-0.9	-1.4	-4.4	1.0	1.8	...
	ann % chg	-9.5	-11.5	-12.5	-17.2	-17.3	-16.6	...
Financial Markets								
NZD/USD	$[2]	0.8167	0.7869	0.7832	0.7764	0.764	0.7444	*0.7453*
NZD/AUD	$[2]	0.9001	0.8973	0.9051	0.94	0.9465	0.9555	*0.9640*
Trade weighted index (TWI)	June 1979 = 100[2]	78.49	76.76	77.43	78.24	78.18	77.16	*78.11*
Official cash rate (OCR)	%	3.50	3.50	3.50	3.50	3.50	3.50	3.50
90 day bank bill rate	%[2]	3.71	3.68	3.67	3.67	3.67	3.63	*3.63*
10 year govt bond rate	%[2]	4.20	4.04	4.03	3.78	3.42	3.27	*3.32*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	13.4	26.5	31.5	30.4	...	34.4	...
ANZ - activity outlook	net %	37.0	37.8	41.7	37.3	...	40.9	...
ANZ-Roy Morgan - consumer confidence	net %	127.7	123.4	121.8	126.5	128.9	124.0	124.6
Performance of Manufacturing Index	Index	58.8	58.7	55.3	57.3	50.7	55.9	...
Performance of Services Index	Index	57.7	56.9	54.8	56.7	57.8	55.6	...

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