Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

February 2016

Executive Summary

- Economic growth picked up over the second half of 2015
- The unemployment rate fell to its lowest in six years, although is not expected to be sustained
- Inflation pressures remain weak
- Global growth moderated in December

Key economic data released in February suggest positive momentum from the September quarter continued into the final quarter of 2015, although at a slightly slower pace of growth. Employment rebounded 0.9% in the December quarter, leading the unemployment rate to fall from 6.0% to 5.3%, and, while hourly earnings growth was only moderate, total labour incomes grew 6.0% in the year. That said, the unemployment rate fall appears to be overstated and associated with volatile participation.

Robust income growth, healthy consumer sentiment and a high level of visitor and migrant arrivals over the December quarter were positive for retail sales, with slightly higher real private consumption and/or services exports growth expected for GDP than in the *Half Year Update*. A continuation of the same factors is expected to support GDP growth in the first half of 2016 and poses slight upside risk to the *Half Year Update* forecasts.

Businesses continue to face limited pricing pressures, with their costs and prices (excluding large commodity price falls) flat over the December quarter. Construction costs continue to slow on an annual basis, which have been one of the few pockets of non-tradables inflation over the past couple of years. Soft business costs, along with lower inflation expectations and a slight easing in growth in unit labour costs, suggest inflation is unlikely to pick up substantially over 2016, particularly with the recent fall in fuel prices still to flow through to inflation.

Global data released in February showed that economic growth moderated in December, confirming the weakness reflected in markets at the beginning of 2016. Financial markets consolidated from mid-February as central banks signalled their willingness to support activity. However, some volatility has persisted.

This month's special topic looks at different weighting schemes for New Zealand's trading partner growth rate.

New Zealand Government

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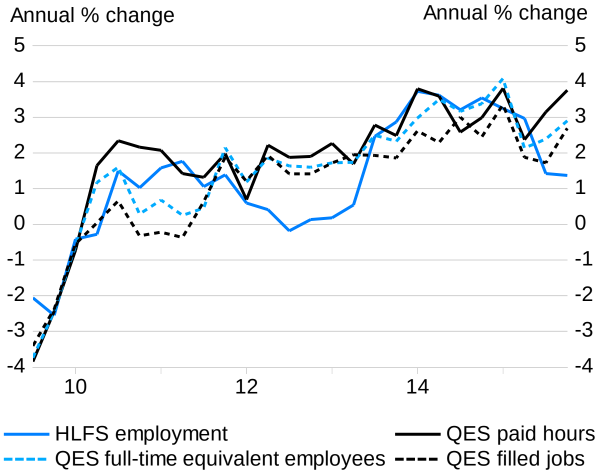
Analysis

Data released over February continued to point to a pick-up in economic growth over the second half of 2015 against the backdrop of a soft inflation environment and outlook. Employment and labour incomes expanded firmly in the December quarter, supporting household spending. Steady consumer sentiment, consumer spending and ongoing increases in migration and tourism suggest some upside risk to real GDP growth forecasts in the *Half Year Update*. However, subdued pricing pressures, as evidenced by retail prices, business costs and prices, inflation expectations and low prices for key exports, notably dairy, suggest some downside risks to nominal GDP growth.

Strong employment growth...

According to the Household Labour Force Survey (HLFS), the number of people employed rebounded 0.9% (21,000) in the December quarter, after dropping 0.4% in the prior quarter, taking the annual increase to 1.3% (31,000) (Figure 1). Part-time employment rose by slightly more than full-time, although the rise in part-time only partially reversed September's fall. Other indicators of labour demand in the Quarterly Employment Survey (QES) were even stronger – paid hours (up 1.4%), full-time equivalent employees (up 1.2%) and filled jobs (up 1.0%) – showing the widespread health of labour demand in the quarter.

Figure 1: Labour market demand indicators



Source: Statistics NZ

...and a further fall in participation...

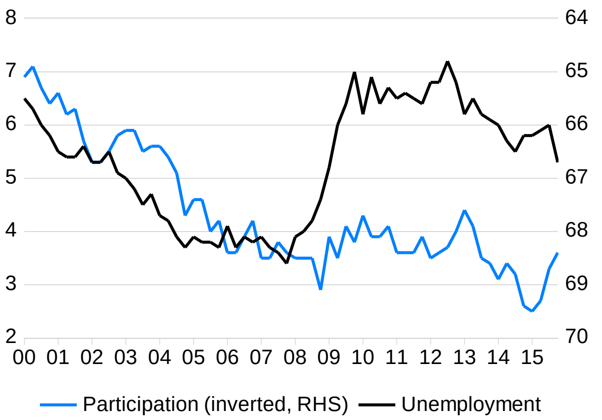
The participation rate dropped 0.3% points to 68.4%, the third consecutive fall and its lowest level since June 2013. The fall was a surprise given the sizeable decline in the participation rate (0.6% points) in the prior quarter and that positive employment growth tends to encourage workers to enter the labour force. That said, the participation rate series is volatile and remains at a high level – near its five-year average. As a result, we are not placing too much weight on one data point and, at this stage, expect the drop in participation to partially reverse over coming quarters.

By age group, the fall in participation was broad-based, with the largest falls from a year ago in those aged 15 to 24 and 55 to 64. Compared to December 2014, both those employed and unemployed were more likely to transition to 'not in the labour force' (NILF) and people were less likely to transition from NILF into the labour force. With falling unemployment and rising employment, it seems unlikely that people were discouraged from entering the labour force. Alternatively, given the groups where the participation rate fell the most, it may be that additional youth are studying, consistent with the rate of youth not in employment, education or training falling, and that more people are retiring at an earlier age.

...lead to a sharp drop in the unemployment rate

The rebound in employment was much larger than the increase in labour supply (as a rise in the working-age population more than offset the drop in participation), leading the unemployment rate to fall sharply, from 6.0% to 5.3%, its lowest since March 2009 (Figure 2). The fall in the unemployment rate was unexpected, along with the further drop in participation.

Figure 2: Participation and unemployment



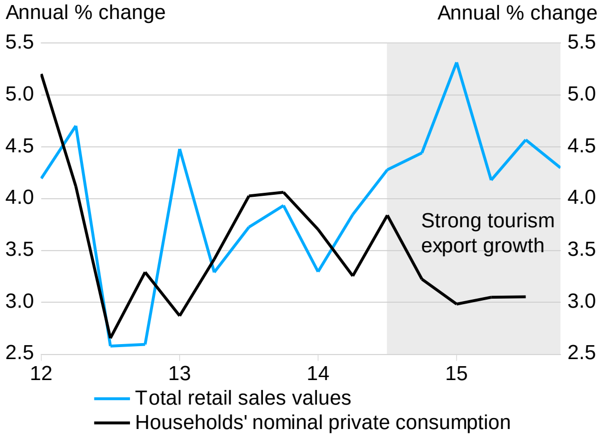
Source: Statistics NZ

Looking ahead, we expect the unemployment rate fall to partly reverse in coming quarters, as the recent fall appears to be overstated and labour market conditions are not expected to tighten over 2016 as labour supply exceeds labour demand. However, at this stage, the outturn suggests the unemployment rate will not peak as high this cycle as forecast in the *Half Year Update* (6.5%).

Gross earnings remain strong...

Annual growth in QES ordinary time hourly earnings moderated from 2.3% in the September quarter to 2.1%, reflecting an easing in both private sector and public sector wage growth. However, a large increase in paid hours, combined with the increase in full-time equivalent employees, increased total weekly gross earnings by 6.0% on a year ago. This was stronger than we were expecting and was reflected in PAYE source deductions being higher in the December quarter than forecast in the Half Year Update.

Figure 3: Retail sales and consumption



Source: Statistics NZ

...reflected in robust private consumption growth...

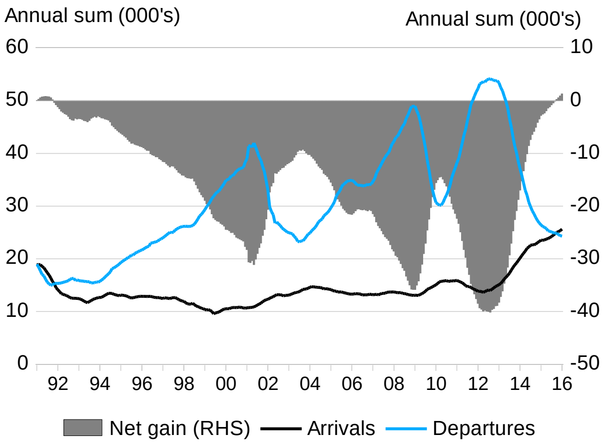
Strong growth in gross earnings over the December quarter flowed through to robust consumer spending, with seasonally-adjusted retail sales volumes lifting 1.2% in the quarter. Growth in hardware and building supplies (up 5.3%) and fuel retailing (up 3.7%) provided the largest contributions, with the former likely boosted by higher construction activity and the latter by the 6.4% drop in petrol prices over the quarter. These were partially offset by a fall in motor vehicle sales, not surprising given strong growth in the September quarter and the large depreciation of the NZD against the yen earlier in 2015. Total sales values increased 1.2%, implying average retail prices were flat in the December quarter, following consecutive falls since March 2014.

Although December quarter sales were robust, we expect a large proportion to be attributed to non-residents' expenditure owing to high visitor arrivals (up 7.0% in the quarter), which will be included in service exports rather than private consumption (Figure 3). Overall, the outturn points to modest upside risk for our real GDP growth forecast in the *Half Year Update* from high consumption and/or services export growth.

...which carried through into early 2016

Private consumption growth appears to have continued into 2016 at a steady pace. According to the ANZ consumer confidence survey, household sentiment was broadly flat over the past few months at 119.7 (after accounting for the usual holiday-season boost). Given volatility in financial markets so far this year, steady confidence is an encouraging sign and was reflected in January consumer spending. Electronic card transaction values rose a further 0.6%, owing to a rebound in durables spending and continued growth in hospitality spending, although the latter is partly attributed to high overseas visitor arrivals.

Figure 4: Net migration inflows from Australia



Source: Statistics NZ

Migration continues to reach new highs

While private consumption growth remains healthy, continued high net migration means it is subdued on a per capita basis. Annual net migration reached a new record high of 65,900 in January, with growth continuing to be driven by increasing arrivals, while departures remain at a low level. In January, monthly net inflows from Australia were positive for the tenth consecutive month, reaching 1,300 on an annual basis (Figure 4). Robust net migration is expected to continue into 2016, particularly with the New Zealand labour market in the December quarter stronger than expected. Australia's unemployment rising to 6.0% in January suggests strong net inflows to

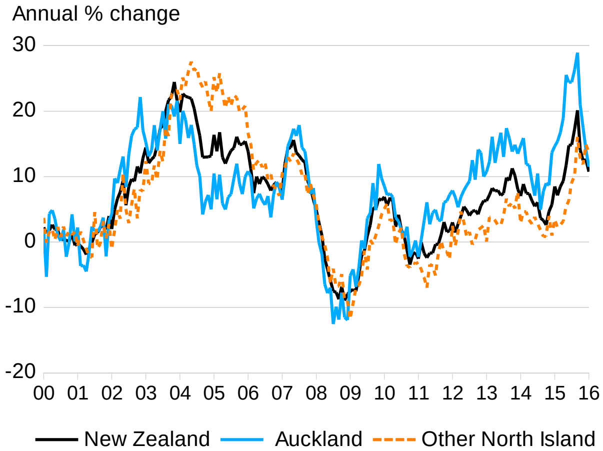
New Zealand continuing; however, changes making it easier for New Zealanders living in Australia to transition to citizenship point to lower net inflows from there.

Housing market takes a pause in January...

Tighter loan-to-value restrictions in Auckland appear to be having a continued impact on the housing market, although until January this was largely offset by a relaxation in the remainder of the country. According to the Real Estate Institute of New Zealand (REINZ) the number of sales fell 5.1% in January (seasonally adjusted), with declines recorded in much of the country. This led to annual sales growth slowing to 4.3% from over 30% in mid 2016, as large falls in Auckland partly offset strong increases in the rest of the North Island.

Prices also dropped in January with the REINZ national stratified median house price index down 0.1% in the month, as recent monthly falls in Auckland (with prices back to July's level) were accompanied by price drops for the rest of the North Island. That said, January data tends to be volatile and national annual price growth remains high at 10.7%, with slowing growth in Auckland house prices largely offset by stronger house price growth in other North Island regions (Figure 5).

Figure 5: Stratified median house price index



Source: REINZ

...but a large near-term moderation seems unlikely

With the number of houses for sale low across much of the country, there is potential for accelerating price growth in coming months. The ongoing effect of regulatory changes is uncertain so far, but economic fundamentals supporting housing demand – high migration and low interest rates – also persist, making it hard to see any substantial moderation in house price growth in the near-term.

Commodity prices weaken further...

Export commodity prices started 2016 on a weak note, with the ANZ world commodity price index falling a further 2.3% in January. The lower NZD in the month largely offset that fall, with prices on the NZD index down just 0.4%. The fall in ANZ commodity prices points to further drops in the terms of trade in coming quarters, in line with our expectations, although the unexpected fall in oil prices since December will provide some offset (Brent oil prices fell from around US$45 at the end of November to sit about US$34 currently).

...with dairy prices tumbling further...

Dairy prices continued their downward path at the February auctions. The GDT price index recorded declines of 7.4% and 2.8%, with the average price settling at US$2,235 at the second auction. Despite domestic milk production being down 2.2% season-to-date (end of January), global milk production continues to grow and demand remains tepid, weighing on prices. The outturns, together with the weakness in dairy markets more generally, has led some analysts to revise down their farmgate milk price forecasts to $3.90-$4.05/kg. Furthermore, concerns are mounting over next season, with analyst forecasts currently around $5.00/kg MS, below the average breakeven price for dairy farmers. With quarter-to-date prices below the *Half Year Update* forecast, the expected recovery in prices appears to be on a slower trajectory.

...contributing to limited firm pricing pressures

Lower commodity prices at the end of 2015 flowed through to falls in producer price indexes (PPI). Producer prices fell in the December quarter, with input and output price indexes down 0.8% and 1.2% respectively. Lower dairy prices were the main driver, owing to weaker farmgate and milk powder prices, with the plunge in oil prices also flowing through to both indexes. Excluding these prices, output and input prices for most industries were broadly flat in the quarter.

Further signs of easing pricing pressures in the construction industry showed through in the December quarter capital goods price index and the PPI. The building construction output price index rose only 0.4% and the residential buildings price index rose 1.1% in the quarter, both continuing to slow on an annual basis. The slowdown in price growth ties in with decreasing capacity pressures in the Canterbury construction industry, consistent with the consumer price index showing a divergence between annual housing construction inflation in Canterbury (3.0%) and

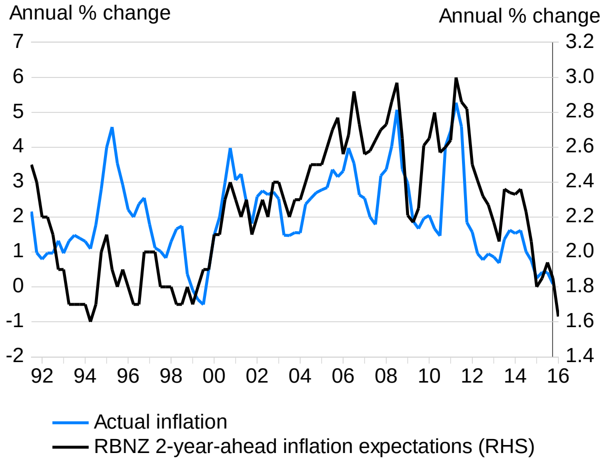
Auckland (7.2%). That said, Auckland housing construction inflation is substantially lower than it was in Canterbury during the ramp-up of the residential rebuild (around 10% from mid 2012 to end of 2013). This may be owing to continued growth in the number of Auckland construction workers – 18,900 over the 2015 year.

Growth in labour costs also remained soft, continuing to point to low non-tradables inflation, as labour represents a greater proportion of total costs in the non-tradables sector than in tradables. Annual growth in the labour cost index, which approximates unit labour costs, continued to slow, although only marginally, from 1.6% in the September quarter to 1.5% in the December quarter.

Inflation expectations fall to lowest since 1990's

The Reserve Bank's (RBNZ) latest survey showed that firms' expectations of two-year-ahead consumer price inflation fell slightly, from 1.85% to 1.63%, their lowest since 1994 (Figure 6). That said, this tends to follow temporary factors, such as petrol prices, and is within the RBNZ's target range. If expectations were to fall significantly further, it would likely take longer for inflation to reach the 2% mid-point of the target band.

Figure 6: Inflation and inflation expectations



Sources: Statistics NZ, RBNZ

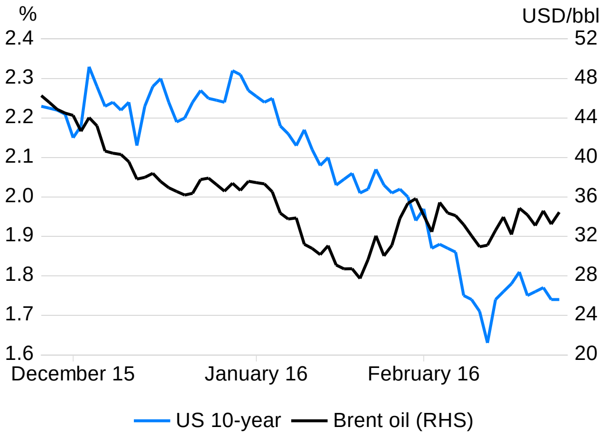
In general, the outturn reinforced analyst views on whether they expect the RBNZ to reduce the Official Cash Rate (OCR), with some analysts expecting the RBNZ to reduce it as early as March while others are expecting the RBNZ to remain on hold. Markets reflect the divergence in views, with the market pricing in a 30% probability of a 25 basis point (bps) reduction in the OCR at the next monetary policy review on 10 March. A 25 bps reduction is fully priced by the June review.

Global markets consolidated in February

After a volatile start to 2016 owing to a weaker global outlook, especially for China, combined with concern that monetary policy may be unable to support activity, global financial markets consolidated in mid-February as central banks reiterated their willingness to support economic activity and oil prices steadied somewhat.

US 10-year yields fell to a low of 1.64% at the height of the uncertainty, before recovering to 1.74% towards the end of the month (Figure 7), but remain below the December average of 2.2%, reflecting both falling expectations for the next rate hike by the Federal Reserve (Fed) and increased safe-haven demand for bonds. Equity markets have calmed somewhat with the S&P 500, Stoxx 600 and Nikkei 225 recovering around 5.5%, 5.5% and 6.4% respectively from their 2016 lows in mid-February. While oil prices have remained volatile, they have held up around 20% above their January low (Figure 7). Iron ore prices have increased 20% in the month. However, some volatility and risk-off sentiment returned to markets towards the end of the month.

Figure 7: Brent oil price and US 10-year yields

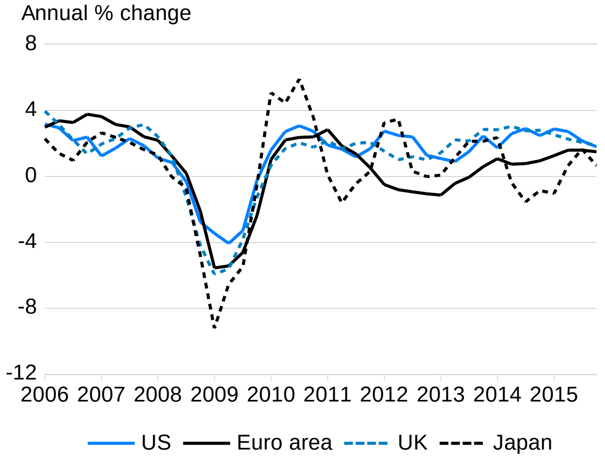


Source: Haver

Growth moderated in December...

Data released in the past month showed that economic growth moderated in the December quarter in the major developed economies, confirming the weakness which markets reflected in early 2016. US growth slowed to 0.2% in the December quarter (1.8% apc), down from 0.5% in September. Euro area growth was 0.3% (1.5% apc), unchanged from September, while UK growth was 0.5%, up from 0.4% in September, but down slightly at 1.9% from a year ago (Figure 8). The Japanese economy contracted 0.4%, led by a 0.8% decline in private consumption. This month's special topic looks at different ways of combining GDP growth in New Zealand's major trading partners into a single indicator.

Figure 8: GDP growth



Source: Haver

...reflecting a slowdown in manufacturing...

Weaker GDP growth reflected weaker growth in manufacturing in the major developed economies as industrial production fell 1.0% (-1.3% apc) and 1.1% (-0.4% apc) in the euro area and UK respectively. In Japan, industrial production fell 1.4% (-1.6% apc) with declines across the board. That said, US industrial production growth was 0.9% in January, but only just recovering from December's 0.7% fall.

...and weaker world trade

The weak manufacturing may have been a result of weak external demand as exports and imports declined in many economies. China's exports declined 11.2% from a year ago, well below expectations. Imports fell (-18.8%) for the 15th consecutive month, on weak domestic demand, investment in particular. Australia's trade deficit widened in December as a result of a 4.7% decline in export values and a 1.5% decline in imports. The terms of trade fell 5.1% as a result of low commodity prices, particularly for metal ores. In Japan, weak consumption was reflected by an 18% decline in imports in the year to January. Exports fell 12.9%, led by exports to China, the largest decline in more than six years.

Global inflation remains weak...

Given the softer demand environment and over-capacity in many industries, as well as falling oil prices and muted wage pressures, inflation has remained weak, including core inflation (Table 1). In the US, annual PCE inflation (the Fed's preferred measure) increased slightly from November, but core inflation (excluding food and energy) was unchanged.

Annual CPI inflation slowed in Japan from November, and core inflation was lower than expected. In China, inflation rose with higher food prices and was also affected by the lunar new year holidays and cold weather. Core inflation was flat for the fourth consecutive month. In the euro area, both headline and core inflation picked up in January, but remained weak, while in the UK core inflation fell. In contrast, Australia's inflation was stronger than expected in the December quarter.

Table 1: Latest CPI inflation (apc)

	Headline	Core (ex food and energy)
US* (Jan 2016)	0.6%	1.4%
Japan (Dec 2015)	0.2%	0.8%
China (Jan 2016)	1.8%	1.5%
Euro area (Jan 2016)	0.4%	1.0%
UK (Jan 2016)	0.2%	1.2%
Australia (Dec 2015)	1.7%	2.0%**

* Personal Consumption Expenditure (PCE) inflation
** Average of the trimmed mean and weighted median
Source: Haver

...and the outlook is for easier monetary policy

Reflecting moderating global growth, monetary conditions abroad are expected to remain accommodative for longer or become easier. While the Fed held its funds rate unchanged at 0.25 – 0.50% in late January, market pricing for a hike has reduced over the month with the probability of a 25 basis point hike by December 2016 at around 40%. The Committee noted that labour market conditions have improved (subsequent data showed non-farm payrolls increased 151,000 in January, and the unemployment rate fell to 4.9%), and inflation is expected to remain low in the near term, owing partly to recent declines in energy prices and non-energy imports.

In her testimony to Congress in February, Chair Yellen reiterated her expectations for a gradual increase in the Federal Funds Rate over 2016 and 2017. However, she noted that financial conditions in the US have recently become less supportive of growth, with particular reference to recent strength in the USD, volatility in equity markets, and heightened risk perceptions. She also noted that adverse global developments pose significant risks to the outlook.

Elsewhere, the outlook is for easier monetary policy as President Draghi reiterated that the ECB stands ready to act to support the economy, with further easing expected in March. In Japan, the Bank of Japan unexpectedly adopted a negative policy rate on 29 January, with a portion of banks' reserves to be charged 0.1% interest.

Some analysts expect the Bank will reduce rates further. Further easing by the People's Bank of China is expected, and in Australia, market pricing is for a 25 basis point cut by August, after the RBA left its policy rate unchanged at 2.0% but maintained its conditional easing bias.

Special Topic: Weighting Schemes for New Zealand's Trading Partner Growth

New Zealand is a small open economy that is heavily reliant on its external sector. In particular, output and demand shocks – both positive and negative – experienced by our trading partners are likely to materially impact the New Zealand economy through the prices and volumes of traded goods. Accordingly, Treasury regularly calculates a trading partner growth (TPG) rate, which is a summary statistic that broadly informs its assessment of demand from New Zealand's major trading partners.

The TPG rate is constructed as an average of the annual growth rates of real GDP of New Zealand's 16 most important trading partners, who together account for approximately 80 percent of New Zealand's total merchandise exports. Trading partners' growth rates, historical and forecast, are weighted based on their share of merchandise exports. Recent Treasury research examines the extent to which a historical TPG rate is sensitive to different weighting schemes. The first part of this special topic examines the design and effect of alternative weighting schemes. The second part discusses the role of the TPG rate as a driver of output in New Zealand, within the framework of an econometric model.

The country composition of New Zealand's trade continues to shift

The weighting for Treasury's TPG rate is updated on an annual basis in order to capture changing trends in trade. Merchandise exports by country back to 1988 are the basis of the analysis. The country mix of New Zealand's exports has experienced large shifts during this time.

While Asia ex-China's share of merchandise exports has remained relatively steady over this period, China's share has generally trended upwards, consistent with the continued development of China as one of our dominant trading partners. This has generally come at the expense of the developed economies with whom New Zealand trades, such as Australia, the USA and the euro area, whose share has declined approximately equivalently.

Adjustments to the weighting scheme have a relatively small impact on TPG rates

Table 2 shows the ways in which changes were made to the current weighting system. Three additional weighting schemes were constructed, producing three further TPG rate series.

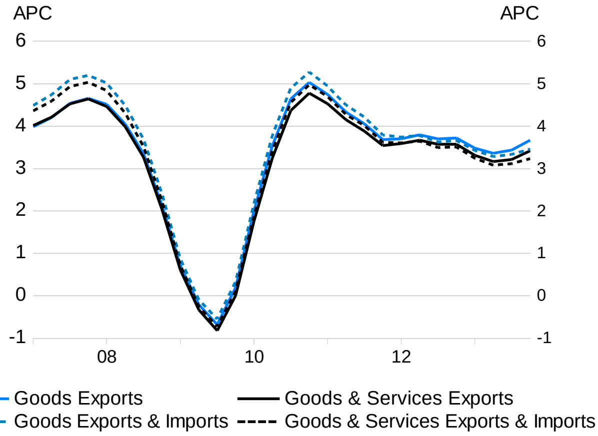
Table 2: Possible TPG weighting schemes

	Direction of trade	
Categories of trade	Goods Exports	Goods Exports & Imports
	Goods & Services Exports	Goods & Services Exports & Imports

These alternatives include the components of New Zealand's international trade not considered by the existing weighting scheme, which are goods imports, services exports and services imports. Together, these other three components amount to approximately two-thirds of total two-way trade with the 16 countries. Hence their exclusion from the existing weighting system could ignore significant developments in New Zealand's international trade.

In Figure 9 all four TPG rate series are plotted. Overall, the differences are relatively small. This suggests that, even though goods imports and services exports and imports make large contributions to the total value of New Zealand's trade, their inclusion does not lead to large changes in the relative importance of the members of the basket of trading partners, either in elapsed quarters or in the future. For example, the ranking of countries to which we export goods is almost identical to that of the countries from which we import goods.

Figure 9: Alternative TPG rates



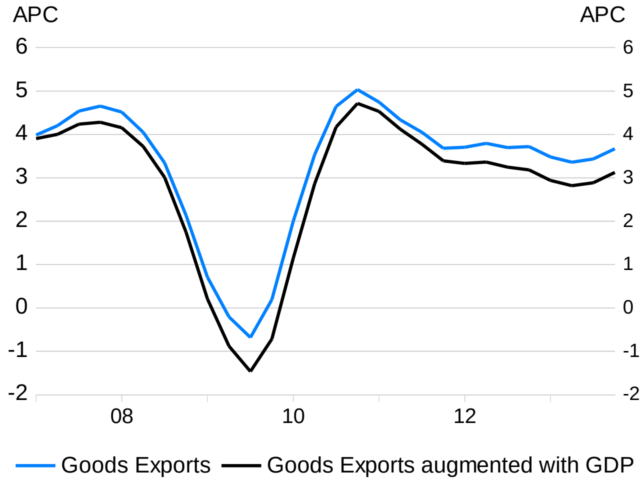
Sources: Statistics NZ, IMF, the Treasury

Some insights can be gained from the comparison of TPG rates. For instance, weighting based on goods exports and imports causes an appreciable upwards shift in the TPG rate compared to the existing goods exports only method. Much of this is caused by a redistribution of weight from Australia to China, reflecting the high importance of China as a source of New Zealand's imports, particularly manufactured products. China has recorded high growth rates in recent years (significantly higher than Australia), and thus a rise in China's weight tends to materially raise the resulting TPG rate. Similarly, including services exports sees a decline in the resulting TPG rate, largely owing to a fall in China's weight (as China has a lower share of services exports, reducing its contribution). However, the changes in the TPG rate with different weighting schemes are not significant.

More nuanced weighting schemes make little difference to TPG rates

Beyond simple adjustments to the trade basis for weightings, there are a number of ways that the weightings could be altered in order to generate a TPG rate that is more relevant to New Zealand in terms of growth transmissions. Adopting the former methodology of RBNZ's trade-weighted exchange rate index, a weighting scheme based partially on the relative sizes of trading partners' economies was considered. This method aims to capture the influence that larger economies such as China and the US can have on demand and supply of traded goods. Following RBNZ, we adopted a 50:50 distribution of weights for trade and economic size. Figure 10 plots Treasury's existing TPG rate (Goods Exports) with one "augmented" by GDP.

Figure 10: GDP-augmented TPG



Sources: Statistics NZ, IMF, the Treasury

Once again, differences are relatively minor. Adopting a partial GDP weighting tends to apply a downwards level shift to the series, mostly due to a skewing of weight away from Australia and China towards the UK, USA and euro area, all of which have grown relatively slowly in recent years compared with our fast-growing (though smaller) Asian trading partners such as Singapore and Hong Kong.

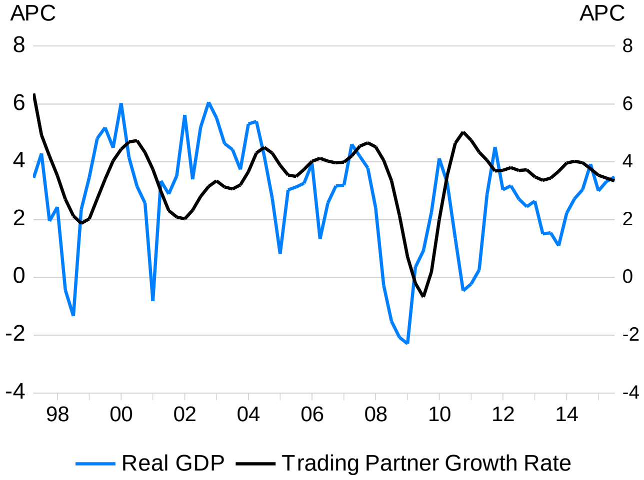
Overall, the exploration of alternative approaches to weighting TPG rates suggests that the relatively simple one-way goods exports measure is as good a proxy for international macroeconomic conditions as more sophisticated measures. This may change over time if the mix of countries New Zealand exports to and imports from changes materially in the future.

Empirical analysis suggests evidence of international growth spillovers to New Zealand

Making adjustments to country weightings is only useful if there is an economic relationship between the growth rates of New Zealand's trading partners and the growth rate in New Zealand. Historically, the TPG rate and growth rate of real GDP in New Zealand have tracked each other moderately closely, as illustrated in Figure 11.

We conducted a simple regression analysis in order to make the relationship more precise. The results suggest that a one percent increase in trading partners' growth rates of per capita real GDP is correlated with a rise in the growth rate of New Zealand's per capita real GDP of around 0.65 percent. Moreover, the relationship is found to be statistically significant.

Figure 11: New Zealand GDP growth and trading partner growth



Sources: Statistics NZ, IMF, the Treasury

Adopting the methodology from the (small) literature on the subject, further analysis considered the impact of other trading partner variables, such as openness, the investment and consumption shares of GDP, and relative income levels. Results indicate that New Zealand benefits from a rise in consumption's share of GDP, which is consistent with the consumable nature of a large part of our exports. The converse is found for investment's share of trading partners' GDP. These findings are particularly timely for New Zealand as the Chinese economy rebalances away from investment towards consumption.

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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

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New Zealand Key Economic Data

Quarterly Indicators

		2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3	2015Q4
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.9	0.9	0.9	0.2	0.3	0.9	...
	ann ave % chg	3.0	3.2	3.7	3.6	3.3	2.9	...
Real private consumption	qtr % chg[1]	0.5	1.2	0.4	0.5	0.6	0.6	...
	ann ave % chg	2.8	2.8	2.7	2.6	2.7	2.4	...
Real public consumption	qtr % chg[1]	0.3	0.6	-0.1	1.0	1.0	-0.4	...
	ann ave % chg	2.9	2.9	2.7	2.3	2.2	2.0	...
Real residential investment	qtr % chg[1]	0.5	-0.3	4.8	0.5	-0.1	0.9	...
	ann ave % chg	14.9	13.6	14.6	11.6	8.6	7.8	...
Real non-residential investment	qtr % chg[1]	4.1	4.4	0.0	-3.1	2.1	2.6	...
	ann ave % chg	7.3	8.6	9.6	9.0	7.5	5.0	...
Export volumes	qtr % chg[1]	-1.6	0.3	6.1	1.4	-0.1	1.9	...
	ann ave % chg	0.2	1.4	3.0	4.2	5.8	7.4	...
Import volumes	qtr % chg[1]	2.5	0.8	2.4	0.8	1.7	-2.8	...
	ann ave % chg	9.0	8.0	7.9	7.4	6.6	5.6	...
Nominal GDP - expenditure basis	ann ave % chg	7.4	7.1	5.1	3.6	2.8	2.7	...
Real GDP per capita	ann ave % chg	1.8	1.8	2.2	1.9	1.5	1.1	...
Real Gross National Disposable Income	ann ave % chg	6.6	6.3	5.1	3.5	2.2	1.4	...
External Trade								
Current account balance (annual)	NZ$ millions	-5,655	-5,913	-7,464	-8,064	-8,259	-8,103	...
	% of GDP	-2.4	-2.5	-3.1	-3.4	-3.4	-3.3	...
Investment income balance (annual)	NZ$ millions	-9,286	-9,373	-9,449	-9,217	-9,049	-9,117	...
Merchandise terms of trade	qtr % chg	0.1	-4.5	-2.4	1.2	1.5	-3.7	...
	ann % chg	12.2	-0.3	-5.0	-5.6	-4.2	-3.4	...
Prices								
CPI inflation	qtr % chg	0.3	0.3	-0.2	-0.2	0.4	0.3	-0.5
	ann % chg	1.6	1.0	0.8	0.3	0.4	0.4	0.1
Tradable inflation	ann % chg	0.1	-1.0	-1.3	-2.4	-1.8	-1.2	-2.1
Non-tradable inflation	ann % chg	2.7	2.5	2.4	2.4	2.1	1.5	1.8
GDP deflator	ann % chg	4.3	1.1	-2.2	-1.0	0.2	0.4	...
Consumption deflator	ann % chg	1.0	0.6	0.7	0.5	0.6	1.0	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.4	1.0	1.0	0.7	0.2	-0.5	0.9
	ann % chg[1]	3.6	3.2	3.5	3.2	3.0	1.4	1.4
Unemployment rate	%[1]	5.7	5.5	5.8	5.8	5.9	6.0	5.3
Participation rate	%[1]	68.6	68.8	69.4	69.5	69.3	68.7	68.4
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.5	0.5	0.5	0.3	0.5	0.4	0.4
	ann % chg	1.6	1.7	1.7	1.7	1.6	1.6	1.5
QES average hourly earnings - total[5]	qtr % chg	0.2	1.4	0.5	0.0	0.8	1.0	0.3
	ann % chg	2.5	2.3	2.6	2.1	2.8	2.3	2.1
Labour productivity[6]	ann ave % chg	-0.7	-0.4	0.1	0.5	0.7	0.8	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	1.4	1.6	1.8	2.3	0.0	1.1	1.4
	ann % chg	3.0	4.5	6.0	7.2	5.8	5.2	5.2
Total retail sales volume	qtr % chg[1]	1.5	1.5	1.8	2.1	0.1	1.5	1.2
	ann % chg	3.6	4.7	5.9	7.1	5.5	5.7	5.3
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	121	117	115	117	113	106	111
QSBO - general business situation[4]	net %	31.7	19.0	23.6	23.3	5.1	-14.5	14.7
QSBO - own activity outlook[4]	net %	29.7	33.9	26.7	25.0	9.3	21.7	21.6

Monthly Indicators

		2015M08	2015M09	2015M10	2015M11	2015M12	2016M01	2016M02
External Sector								
Merchandise trade - exports	mth % chg[1]	2.6	-7.1	-1.1	6.0	-8.4	...	...
	ann % chg[1]	5.0	1.7	-4.9	0.8	0.6	...	...
Merchandise trade - imports	mth % chg[1]	4.9	-8.9	-1.0	2.7	-2.6	...	...
	ann % chg[1]	20.1	-3.2	-3.8	12.7	-2.6	...	...
Merchandise trade balance (12 month total)	NZ$ million	-3388	-3169	-3181	-3697	-3549	...	...
Visitor arrivals	number[1]	253,210	264,970	265,810	276,120	272,430	280,270	...
Visitor departures	number[1]	260,370	265,120	270,010	281,870	284,200	279,850	...
Housing								
Dwelling consents - residential	mth % chg[1]	-6.9	-5.7	5.1	2.4	2.3	...	...
	ann % chg[1]	11.3	12.9	9.2	17.0	15.4	...	...
House sales - dwellings	mth % chg[1]	0.2	0.5	-7.0	-4.1	7.2	-10.3	...
	ann % chg[1]	41.7	38.3	18.6	8.5	3.5	4.3	...
REINZ - house price index	mth % chg	1.9	3.0	-4.2	0.3	0.8	-0.1	...
	ann % chg	17.3	20.1	14.1	12.5	12.6	10.7	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.5	0.9	0.1	0.8	0.1	0.3	...
	ann % chg	4.2	6.1	5.8	4.6	6.6	5.2	...
New car registrations	mth % chg[1]	-2.3	0.1	-1.4	-2.1	2.8	-3.1	...
	ann % chg	7.8	5.0	3.8	1.3	2.4	-1.1	...
Migration								
Permanent & long-term arrivals	number[1]	10,320	10,500	10,840	10,540	10,080	10,770	...
Permanent & long-term departures	number[1]	4,820	4,910	4,690	4,310	4,520	4,640	...
Net PLT migration (12 month total)	number	60,290	61,234	62,477	63,659	64,930	65,911	...
Commodity Prices								
Brent oil price	US$/Barrel	46.52	47.62	48.43	44.27	38.01	30.70	*31.73*
WTI oil price	US$/Barrel	42.87	45.48	46.22	42.44	37.19	31.67	*30.02*
ANZ NZ commodity price index	mth % chg	-3.4	8.8	1.6	-4.5	-3.9	-0.4	...
	ann % chg	-4.1	2.8	2.1	-1.0	-1.1	-1.6	...
ANZ world commodity price index	mth % chg	-5.3	5.6	7.1	-5.6	-1.8	-2.3	...
	ann % chg	-23.6	-18.2	-11.6	-15.3	-12.9	-14.7	...
Financial Markets								
NZD/USD	$[2]	0.6550	0.6334	0.6670	0.6567	0.6737	0.6521	*0.6628*
NZD/AUD	$[2]	0.8977	0.8975	0.9270	0.9188	0.9296	0.9313	*0.9303*
Trade weighted index (TWI)	June 1979 = 100[2]	70.32	68.77	71.80	71.39	73.23	71.93	*72.28*
Official cash rate (OCR)	%	3.00	2.75	2.75	2.75	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.95	2.85	2.86	2.89	2.79	2.73	*2.63*
10 year govt bond rate	%[2]	3.29	3.30	3.34	3.50	3.56	3.32	*3.08*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	-29.1	-18.9	10.5	14.6	23.0	...	...
ANZ - activity outlook	net %	12.2	16.7	23.7	32.0	34.4	...	...
ANZ-Roy Morgan - consumer confidence	net %	109.8	110.8	114.9	122.7	118.7	121.4	119.7
Performance of Manufacturing Index	Index	55.0	55.0	53.5	55.1	57.0	57.9	...
Performance of Services Index	Index	58.4	59.2	56.4	59.5	58.5	55.4	...

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