Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

January 2017

Executive Summary

- Recent domestic data and business surveys point to a continuation of solid economic and employment growth over the second half of 2016
- Consumer price inflation is re-emerging for the first time in two years, although wage inflation remains subdued
- Initial market optimism on US and global growth prospects under US President Donald Trump has faded as uncertainty has increased

Recent domestic data show economic activity in New Zealand remained strong over the second half of 2016. Annual average GDP growth was 3.0% in September and partial indicators suggest this momentum will persist into the December quarter and early 2017. The main growth drivers in the economy remain as forecast in the Half Year Economic and Fiscal Update (HYEFU), with a solid pipeline of construction projects, ongoing high levels of net migration and low interest rates expected to underpin growth in construction, household consumption and export services. Uncertainty remains over what impact the Kaikōura earthquakes will have but to date consumer and business confidence have not been materially affected. As more information emerges we will be able to update the initial assessment of the earthquake's impacts presented in the November MEI special topic.

The annual current account deficit remained unchanged at 2.9% of GDP in September, with a sizable services surplus partially offsetting deficits in the goods and income balances. Merchandise trade data indicate the goods deficit narrowed slightly by the end of the year. Dairy prices retraced some of their recent gains in January but otherwise remain much higher than they have been for some time.

Employment continues to increase at a steady pace, broadly in line with the pace of economic growth. However, a larger than expected increase in the labour supply, owing in part to a new high for the participation rate, saw the unemployment rate lift to 5.2%. The presence of spare capacity in the labour market continues to dampen wage inflation, which eased further in the December quarter.

Consumer inflation pressures are emerging after a sustained period of low inflation, both here and abroad. Headline consumer price inflation in New Zealand lifted to 1.3% in 2016 and business survey measures point to higher prices in coming quarters. Several of New Zealand's key trading partners observed a similar pick-up in inflation. This month's special topic examines recent inflation outturns and the outlook.

Initial market optimism on US and global growth prospects under US President Donald Trump has faded as uncertainty about the impacts of the administration's trade policy has increased. The IMF's January 2017 World Economic Outlook continues to forecast a faster pace of growth in 2017 and 2018. However, the IMF sees the balance of risks weighted to the downside, as a result of the risk of increased protectionism and tighter-than-expected financial conditions.

New Zealand Government

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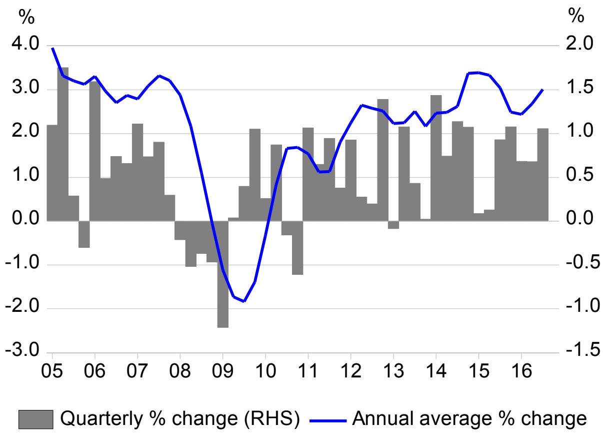
Analysis

Recent domestic data show economic activity in New Zealand remained strong over the third quarter and into the fourth quarter of 2016. While GDP growth in the September year was a little slower than forecast in the *Half Year Economic and Fiscal Update* (HYEFU), this was chiefly on data revisions, and the main sources of economic growth – construction, household consumption and tourism – were as expected. More recent indicators point to momentum continuing into the December quarter and while there remains uncertainty over what impact the Kaikōura earthquakes will have, consumer and business confidence remain high. Inflationary pressures are emerging after a sustained period of low inflation, but wage pressures remain low as spare capacity in the labour market increased.

Solid economic growth in September quarter

Real production GDP rose 1.1% in the September quarter, taking growth in the year to September to 3.0% (Figure 1). Growth in the quarter was driven by services industries, manufacturing and construction, with agriculture the main drag owing to lower dairy production. Annual average growth was a little lower than the 3.1% forecast in the HYEFU*,* chiefly on downward revisions to previous quarters.

Figure 1: Real production GDP growth



Source: Statistics NZ

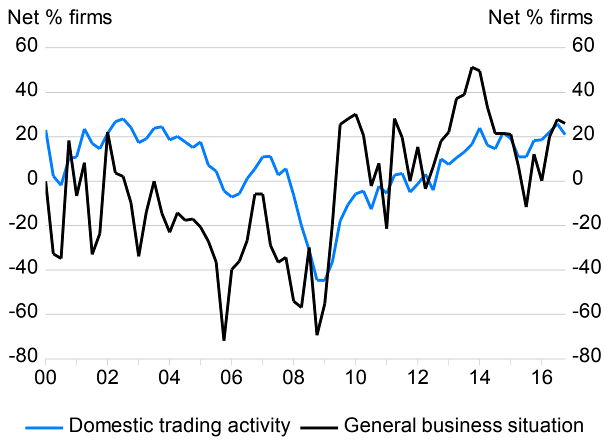
Real expenditure GDP growth was a little higher, at 1.4% in the quarter and 3.9% in the year to September. Nominal GDP growth was also solid, at 1.7% in the quarter and 4.4% in the year, owing in part to the 0.8% increase in the terms of trade in the quarter.

Business activity measures point to continued growth momentum in the December quarter…

Results from the Quarterly Survey of Business Opinion (QSBO) suggest that growth momentum has continued into the December quarter. A net 21% of firms experienced an increase in domestic trading activity in the quarter and a net 25% expect activity to increase in the March quarter. The trading activity measure, which is usually a reliable indicator of GDP growth, suggests annual GDP growth of around 3.5% for end of 2016 and into early 2017. Weak agriculture production, which is not directly measured by the QSBO, may be a small drag on GDP growth, with milk production down around 4% in the season to November.

The seasonally adjusted business confidence measure dipped slightly but remains well above the recent average, with a net 26% of firms expecting the general business situation to improve over the next 6 months, down from 28% in the previous quarter (Figure 2). The ANZ Business Outlook showed a similar result.

Figure 2: QSBO trading activity experienced and business confidence (seasonally adjusted)



Source: NZIER

Confidence was highest in the building sector, reflecting high levels of construction activity around the country and the large pipeline of projects. Construction expanded by 2.1% in the September quarter and 9.2% in the year to September. Similarly, residential investment expanded by 2.3% in the quarter and 9.5% in the year.

The number of dwelling consents issued has waned a little in recent months, with the seasonally adjusted number of house consents declining by 1.4% and 7.7% in October and November respectively. That said, monthly consents issuance remains relatively high and the strong first half of 2016 meant that the annual number of consents issued reached an 11-year high in November. Consents data typically lead residential investment by 1-2 quarters, indicating that residential investment growth is likely to remain strong through the first half of 2017. The impact of the Kaikōura earthquakes remains uncertain – whether rebuild activity displaces existing planned work or is additional to the already strong construction pipeline has implications for capacity and construction cost pressures. See the November MEI special topic for Treasury's initial assessment of the earthquakes potential impacts – we will update this assessment as further information becomes available.[1]

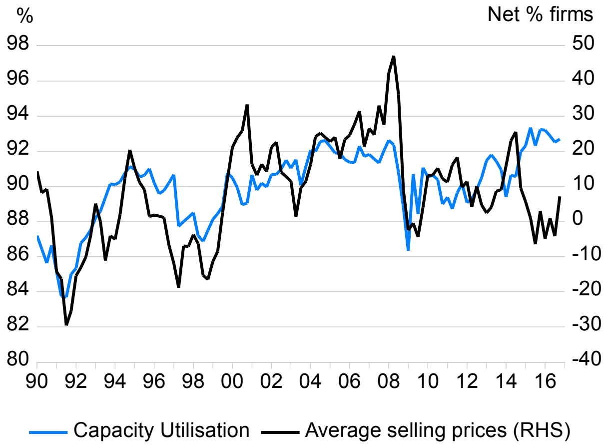
Merchants also reported high levels of confidence, reflecting strong growth in private consumption (up 1.6% in the September quarter and 4.0% in the year to September) and services exports, chiefly tourism (which contracted slightly in the quarter but remains 4.2% higher in the year to September). Electronic cards transaction data suggest this momentum has persisted into the December quarter, with the value of core retail sales 5.6% higher than the December quarter of 2015. Consumer confidence remained buoyant through the December quarter and into January. The Kaikōura earthquakes do not appear to have materially affected either business or consumer confidence nationally.

Exporters recorded their highest level of confidence in over a year but lag significantly behind other sectors, with the weak global economic outlook, political uncertainties abroad and the appreciating New Zealand dollar providing headwinds to expansion.

…with some pricing pressures emerging…

The QSBO provided some hints that pricing pressures are starting to emerge, with a net 7% of firms lifting selling prices in the December quarter and 22% intending to lift selling prices in the next three months. Capacity utilisation, which remains at a high level of around 93%, is a further potential source of pricing pressures, although the usual relationship appears to have broken down of late (Figure 3).

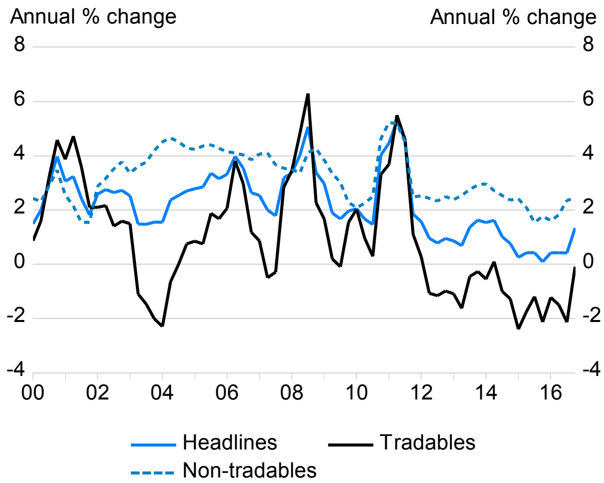
Figure 3: Capacity utilisation and price setting



Source: NZIER

These pricing pressures were confirmed in the Consumers Price Index (CPI), which showed a 0.4% lift in prices in the quarter, taking headline annual CPI inflation to 1.3% (Figure 4). Annual non-tradables inflation was steady at 2.4%, while tradables inflation picked up from -2.1% in September to -0.1% in December as previous oil price declines fell out of the annual calculation. This month's special topic provides further details on the latest outturn and the outlook for inflation.

Figure 4: Consumers Price Index



Source: Statistics New Zealand

Meanwhile, house price growth eased a little but remains at high levels. The REINZ stratified median price rose by 13.5% in the year to December, down slightly from 14.9% in November.

…although wage growth remains sluggish…

Emerging inflationary pressures have not been reflected in wage growth, which slowed further in the December quarter. The Quarterly

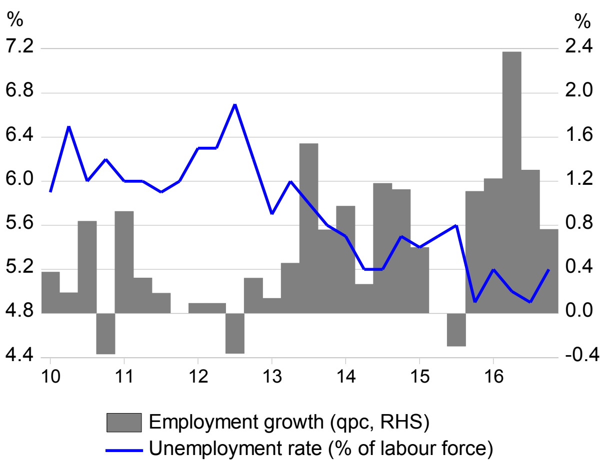
[1] http://www.treasury.govt.nz/economy/mei/nov16/03.htm

Employment Survey (QES) showed annual growth in average hourly ordinary time earnings eased further to 1.3% in December, down from 1.7% in September and over 2% earlier in the year. Meanwhile annual growth in the Labour Cost Index remained steady at 1.6%. The outturns suggest that while capacity utilisation is high (Figure 3), spare capacity remains in the labour market, dampening wage inflation.

…reflecting spare capacity in the labour market

In line with solid indicators of growth in domestic activity, the December quarter saw steady growth in employment. The Household Labour Force Survey (HLFS) measure of the number of people employed increased by 19,000 (0.8%) in the quarter (Figure 5) and the QES measures of full-time equivalent employees and filled jobs were up 1.0% and 1.2% respectively. Annual employment growth is running around 3.2-3.3% on the QES measures, in line with our expectations (annual comparisons of HLFS data remain clouded by changes to the HLFS design in the June quarter). As would be expected, employment growth is concentrated in the main growth sectors of the economy such as construction and tourism-related industries (retail trade, accommodation and food services, arts and recreation services). Professional services and health care also saw significant growth in full-time equivalent employees.

Figure 5: Employment growth and unemployment



Source: Statistics New Zealand

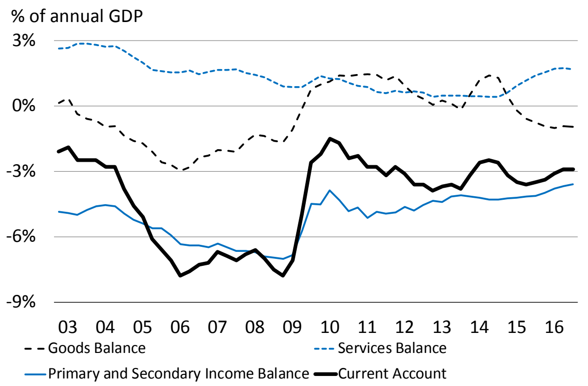
However, while labour demand growth was solid in the quarter it was outstripped by growth in the labour force. The labour force expanded by 1.1% (29,000 people) in the quarter, chiefly on a 0.5% increase in the working age population (in turn due to high net migration, which lifted to a new record of 70,600 in 2016) and a record high participation rate of 70.5%. This lead to an increase in both the number of unemployed, up 10,000 to 139,000, and the unemployment rate, up from 4.9% in September to 5.2% in December. The underutilisation rate also lifted to 12.8%

Employment growth is likely to remain strong into early 2017. A net 17% of firms in the QSBO planned to increase the number of employees in the coming three months. Employment growth is expected to be broadly matched by growth in the labour force in coming quarters, leading to gradual tightening in the labour market.

The current account deficit was unchanged…

The annual current account deficit remained steady at $7.5 billion (2.9% of GDP), with a wider goods deficit offset by a smaller income deficit (Figure 6). The dollar deficit was in line with HYEFU and market expectations (revisions to nominal GDP meant the share of GDP was a little lower than expectations).

Figure 6: Current account



Source: Statistics New Zealand

The annual goods deficit widened to 1.0% of GDP in September (from 0.9% in June), with annual goods exports decreasing faster than imports. Declining exports continue to be driven by dairy and meat, with increases in exports of other primary products such as horticulture and forestry products providing a partial offset.

The fall in export values is mostly price related; real goods exports rose 2.5% in the year to September while nominal exports fell 1.9%. A similar story emerges on the import side, where real goods imports were 2.4% higher but nominal imports were 0.3% lower. This was reflected in the goods terms of trade which fell 0.3% in the quarter to be 0.7% lower than a year ago.

Overseas merchandise trade data for December indicate the annual trade deficit narrowed slightly from $3.4 billion in September to $3.2 billion at the end of 2016. Seasonally adjusted export values declined slightly (0.8%) in the December quarter, with increased dairy exports on higher volumes only partially offsetting declines in other areas. Seasonally adjusted imports fell by 1.9% in the quarter, with declines in most of the larger categories.

The annual services surplus was unchanged at 1.7% of GDP in September. Travel services exports, particularly other personal travel (chiefly tourism) and education, continued to be the main driver of the buoyant services surplus, with ‘other personal travel’ services exports up around 9% on a year ago. Overseas visitor arrivals lifted to 3.5 million in 2016 (up 11.8% from 2015), suggesting that tourism activity remains elevated, although the high New Zealand dollar may be dampening spend per visitor somewhat. However, the number of migrants arriving on student visas continues to fall (down 11.9% in 2016 from 2015), which may reduce education services exports. On balance, the services surplus is expected to remain large through late 2016 and into 2017.

The primary income deficit (investment income flows) narrowed slightly to 3.2% of GDP (from 3.4% in June), chiefly as a result of a reduction in investment income from foreign investment in New Zealand (smaller investment income outflows).

…while commodity prices are rising

Dairy prices fell at the GDT auctions in January, retracing some of the large increases late in 2016, but otherwise remain at their highest level in nearly two years. There may be some further consolidation in coming auctions, with Chinese buying activity likely to slow around the Chinese New Year period. Nonetheless, whole milk powder prices with a “3” at the front (US$3,283/mt at the latest auction) are welcome news to farmers who still have a difficult period of balance sheet repair ahead of them. The recovery in dairy prices late in 2016 will become more evident in the trade data from the March quarter 2017, although export volumes are likely to be lower due to lower milk production.

The recovery in dairy prices has driven much of the recent increases in the ANZ world commodity price index, which rose 0.7% in December to be 16.5% higher than a year ago, more than offsetting falls in prices for meat products. Increases in prices for horticultural and seafood products have been muted of late, but solid gains earlier in 2016 have been retained to boost returns in these sectors.

Overall, the domestic outlook is positive

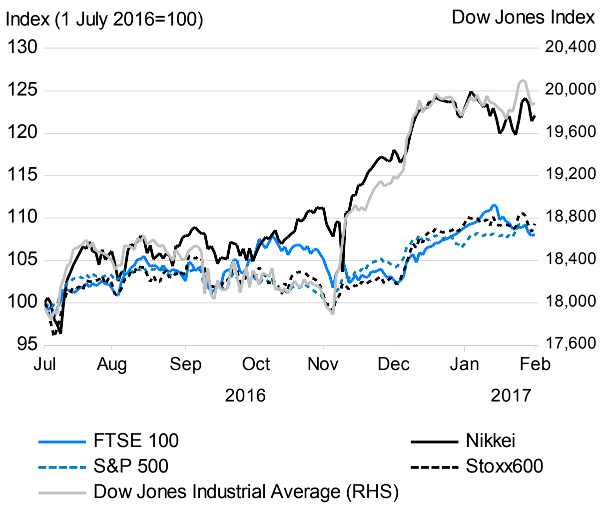
Overall, the domestic growth outlook remains positive. We expected GDP growth to pick up further over the end of 2016 and through 2017. The main growth drivers in the economy remain in place, with a solid pipeline of construction projects, ongoing high levels of net migration and low interest rates expected to underpin growth in construction, household consumption and export services. Steady job creation from this growth is expected to lead to gradual tightening of the labour market, even with strong growth in the labour supply on high participation and net migration. Recovering dairy and other commodity prices bode well for farmers and exporters, although the high NZD may dampen returns somewhat. Inflation is expected to lift further as capacity continues to tighten and as tradables inflation becomes less of an offsetting factor.

Financial markets focus on US developments

Initial market optimism on US and global growth prospects under US President Donald Trump has faded as uncertainty about the impacts of the administration’s trade policy has increased.

The prospect of sweeping reforms to tax, trade, energy and regulatory policy under President Trump has underpinned gains in the US dollar, global bond yields and US equity markets. Equities in the US, and in the euro area, received further support from improved corporate earnings reports sending the Dow Jones Industrial Average above 20,000 for the first time (Figure 7).

Figure 7: Equity indexes



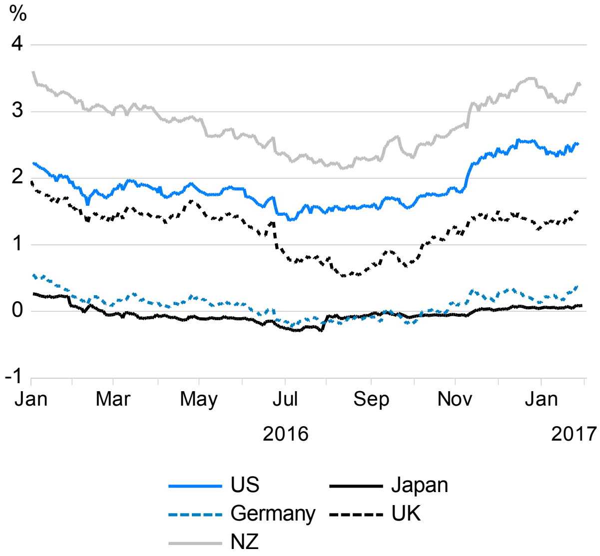
Source: Haver

Markets have factored in some fiscal stimulus from the anticipated loosening of the fiscal stance in the US, particularly from tax cuts, but also from increased infrastructure investment. However, there is huge uncertainty around the details, including timing. This uncertainty extends to the other areas of policy including trade.

The IMF's January World Economic Update (WEO) projects US GDP growth to be a cumulative 0.5 percentage points higher over 2017 and 2018 than its October forecast (Table 1). Consensus US growth forecasts have increased by a similar amount.

As investors have moved into equites they have moved out of bonds, contributing to US yields rising above 2.50% for the first time since 2014 (Figure 8), and sending global bond yields higher. Higher US bond yields are also reflecting expectations that the proposed fiscal stimulus will increase inflationary pressure in the US economy, which is generally considered to be operating at close to full capacity.

Figure 8: Higher global bond yields

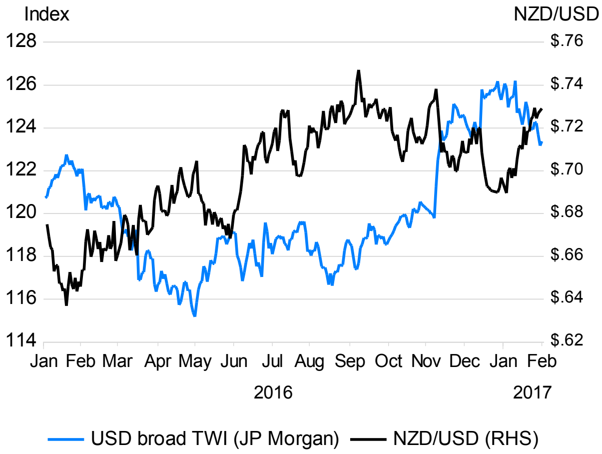


Source: Haver

Reflecting these developments the US dollar rose strongly through December but has trended lower over January (Figure 9). Market commentators attribute this reversal to increasing investor uncertainty around the trade policies the new administration will pursue and the implications of those policies for global trade.

The weaker USD has lifted the NZD, dampening tradable inflation pressures. In conjunction with the rise in global bond yields, which will be adding to banks' mortgage funding costs and putting upward pressure on retail mortgage lending rates, domestic monetary conditions have tightened. This has reinforced market expectations that the Reserve Bank of New Zealand is unlikely to raise its policy rate anytime soon, although markets do see a small chance of a rate rise later this year which is a shift in market perceptions compared to late last year.

Figure 9: USD trends



Source: Haver

Stronger global growth

The IMF's January 2017 World Economic Outlook continues to forecast a faster pace of growth in 2017 and 2018 (Table 1). January's forecasts for global growth were unchanged from their October Update.

Table 1: IMF growth forecasts (January WEO)

	Estimated	Forecast	Forecast	Difference from October WEO	
	2016	2017	2018	2017	2018
World Output	**3.1**	**3.4**	**3.6**	**0.0**	**0.0**
Advanced Economies	**1.6**	**1.9**	**2.0**	**0.1**	**0.2**
US	1.6	2.3	2.5	0.1	0.4
euro	1.7	1.6	1.6	0.1	0.0
Japan	0.9	0.8	0.5	0.2	0.0
UK	2.0	1.5	1.4	0.4	-0.3
Emerging Economies	**4.1**	**4.5**	**4.8**	**-0.1**	**0.0**
Asia	6.3	6.3	6.4	0.1	0.0
China	6.7	6.5	6.0	0.3	0.0

Source: IMF World Economic Outlook January 2017

Growth in Advanced Economies was revised up, due to expected US fiscal stimulus and stronger growth over the second half of 2016. Growth in many Emerging Market economies (except China) has been revised down slightly, due to tighter financial conditions. Expected policy stimulus drove an increase in China's 2017 growth forecast. Outturns for the fourth quarter of 2016 have been broadly in line with the IMF estimates above although US growth was stronger.

The IMF sees the balance of risks to the downside, as a result of the risk of increased protectionism and tighter-than-expected financial conditions. A faster pace of growth may eventuate from greater policy stimulus in the US and/or China.

Global inflation

Oil prices have increased in recent months reflecting an agreement among major suppliers to reduce supply. Prices for base metals have increased, reflecting stronger US growth and greater infrastructure and real estate spending in China. Reductions in China's mining capacity have also supported metals prices.

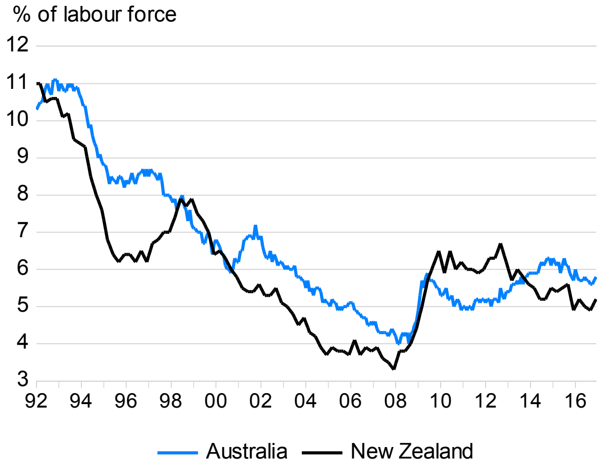
Headline inflation rates have recovered in advanced economics, mostly reflecting base effects from past fuel price declines. Core inflation rates remain weak and generally below target, although there are some signs they are firming.

Inflation in China has ticked up as industrial capacity has been reduced and higher commodity prices have increased producer output prices, which may flow through to export prices.

Slower growth in Australia

For New Zealand's major trading partners, the growth outlook has evolved in a similar way to the WEO, that is, little change overall. The main exception is the outlook for Australia over 2017, which is weaker owing to the September quarter 2016 contraction in GDP. We expect the factors dragging growth lower in the quarter (which were mainly weather related) to be temporary and growth to gather pace over the year ahead. However, the pace of growth may not be sufficient to generate enough jobs to reduce the unemployment rate, which ticked up to 5.8% in December 2016, to be around the same rate as at the start of the 2016 (Figure 10).

Figure 10: Unemployment rate



Sources: Haver, Statistics New Zealand

In Australia, the December quarter CPI release showed headline CPI inflation grew 1.5%, up from 1.3% in the previous quarter on higher fuel, tobacco and transport prices. Underlying inflation was steady at 1.6%, below the Reserve Bank of Australia's (RBA) 2-3 percent target range. With spare capacity in the labour market likely to persist for some time, wage growth expected to remain historically low, and the AUD higher than a year ago, core inflation is likely to remain subdued over the year ahead.

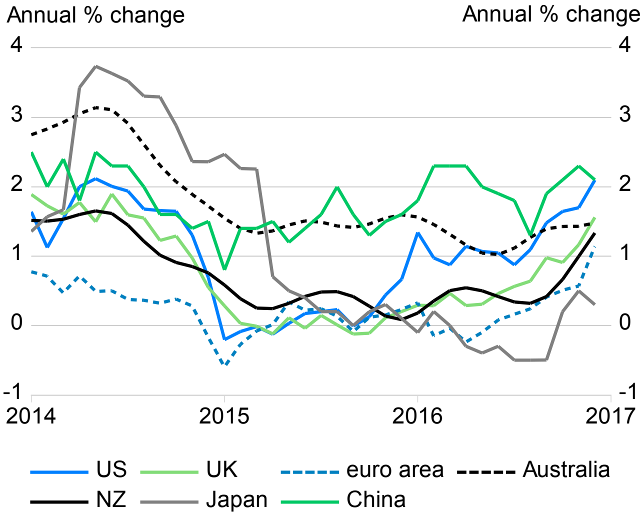
The relative out-performance of the New Zealand labour market will continue to support net trans-Tasman labour market flows into New Zealand.

MEI Special Topic: CPI inflation

Annual Consumers Price Index (CPI) inflation rose from 0.4% to 1.3% in December 2016. This brings inflation back within the RBNZ's target band (of 1-3%) for the first time since 2014. The sudden rise in inflation was not limited to New Zealand – several of our major trading partners saw similar movements. This month's Special Topic examines the drivers of the recent pick-up in inflation.

Inflation has been low in most advanced economies since the 2008 global financial crisis. Prices tend to increase when demand is strong relative to supply. Relatively weak demand is therefore one reason why inflation has been low. Inflation is also strongly influenced by seasonal patterns and items with large weights, such as petrol. By the end of 2016, inflation picked up to above 1% in many countries (Figure 1). Is this the result of temporary factors, or a sign of growing price pressures economy-wide?

Figure 1. International comparison of CPI



Source: Statistics New Zealand

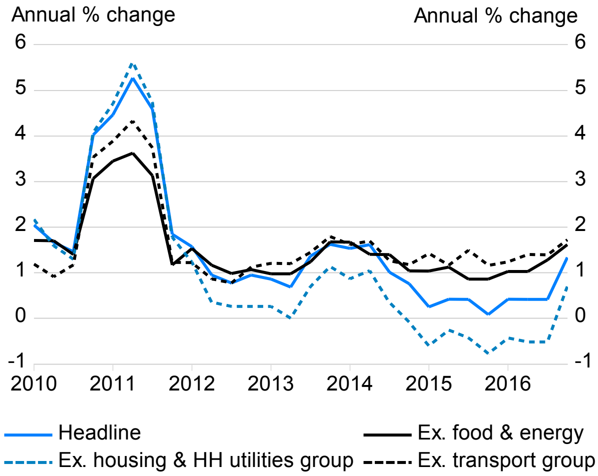
NZ inflation was chiefly driven by a few items…

In New Zealand, inflation in 2016 was largely driven by increases in the cost of a handful of items: housing, rents, cigarettes and tobacco, and petrol. Several items became less expensive; ACC levies fell, as did the cost of international air transport, package holidays, and fruit. Petrol prices had the strongest overall influence – almost three quarters of the increase in inflation from 0.4% to 1.3% in the year to December came from previous petrol price falls falling out of the annual inflation calculation.

…but underlying price pressures appear to be growing from a lower base…

A more informative picture of underlying inflationary pressures can sometimes be gained by stripping out the more volatile items in the CPI. Without food and energy prices (often referred to as 'core' inflation), annual inflation was 1.6% in December (Figure 2). Likewise, inflation was 1.7% after excluding the price falls of the transport group. In contrast, inflation less the housing and household utilities group was only 0.7%. Figure 2 indicates price pressures are relatively broad-based, with each series showing rising, but still relatively low, inflation towards the end of 2016.

Figure 2. CPI inflation, less specified items



Source: Statistics New Zealand

More sophisticated methods of removing particularly volatile price movements emphasise underlying inflation is more robust than the headline figure would suggest. The RBNZ's Sectoral Factor Model, which aims to isolate common factors driving inflation across its different components, shows underlying inflation has remained at 1.5% for the past year. The weighted median price rise in the year to December was 2.0%, up from 1.7% in September and 1.5% the year prior. After removing the top and bottom 5% largest price movements, inflation was 1.6% in the year to December, up from 0.8% in September and 0.4% the year prior. Just over half (52.3%) of all items included in the CPI saw price rises in the December quarter, compared to just under half (48.7%) the previous year.

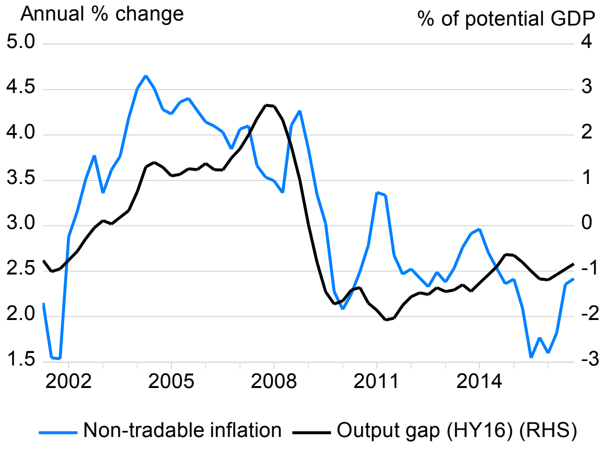
…supported by recent surveys

The growing strength in underlying inflation is echoed by recent business surveys. In the December QSBO a net 21.8% of firms expected to raise their selling prices in the next quarter, up from 7.1% in the previous month and above the five-year average of 15.8% for the first time since 2014. The ANZBO paints a similar picture.

Non-tradables inflation represents domestic price pressures…

Inflation is commonly broken into tradable and non-tradable components. Items in the CPI that are not easily traded with other nations are assumed to reflect primarily domestic factors. Figure 3 shows how non-tradables inflation tends to be related to the extent of spare capacity (the 'output gap') in the economy. Treasury estimates show the output gap is negative, but expected to rise, implying domestic price pressures will continue to build gradually. This estimate is in line with the evidence of remaining capacity in the labour market, with unemployment at 5.2% and easing average hourly earnings growth.

Figure 3: Non-tradables inflation* and output gap



* Excluding the 2010 GST increase

Sources: Statistics New Zealand, the Treasury

…while tradables inflation reflects international developments

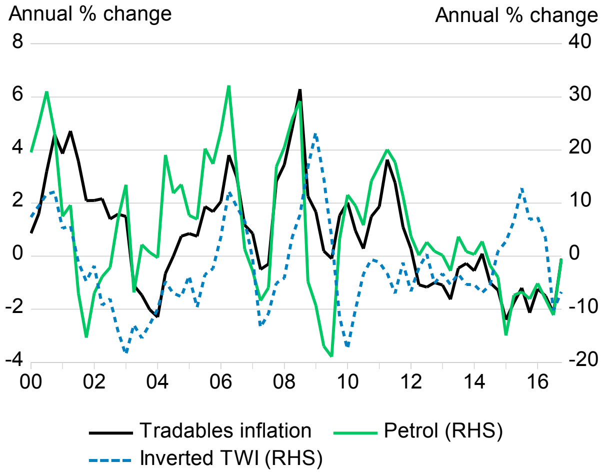
The tradable portion of inflation is influenced by the exchange rate and price pressures in other countries (Figure 4). Low global inflation and a high NZD have meant NZ tradable inflation has been negative on average since 2012. Table 1 shows that after removing the influence of food and energy, the variance of inflation across countries increases. This illustrates the simultaneous rise in inflation in late 2016 partly reflected temporary factors like petrol price movements, and to some degree diverging economic growth and capacity utilisation.

Table 1. December global CPI inflation outturns (annual % change)

	US [2]	US [3]	JP	Euro area	UK	AU	NZ
CPI	1.6	2.1	0.3	1.1	1.6	1.5	1.3
Core[4]	1.7	2.2	0.1	0.9	1.3	1.3	1.6

Sources: Haver Analytics, Statistics New Zealand

Figure 4. Tradables inflation*



* Excluding the 2010 GST increase

Source: Statistics New Zealand

There are also regional differences in inflation

Annual inflation in December in New Zealand was 1.3%, but in Auckland inflation was only 1.2%, and in Wellington it was 1.6%. Regional variation in prices is starker for specific items. For instance, on an annual basis, the increase in the price of a new house in Auckland remained high at 8.2%. The increase in Canterbury was 3.5%, down from 3.9% in the September quarter, but well below the 2013 peak of 12.2%, reflecting the plateauing of the Canterbury residential rebuild. Annual rental increases were highest in Auckland at 3.2% compared to 1.4% for the rest of New Zealand, but continued to fall in Canterbury (down 0.8%).

Looking ahead...

Inflation is expected to increase moderately in the near-term. Previous oil price declines dropping out of the annual calculation will again provide a boost to annual inflation in the March quarter 2017, as will a further 10% increase in the tobacco excise tax. Domestic activity is forecast to remain robust and will likely add to price pressures, although competition, technological improvements and the high NZD will restrain inflation generally.

[2] PCE inflation, the US Federal Reserve's preferred measure

[3] CPI measure

[4] Excluding food/fruit and energy

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

		2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.1	0.9	1.1	0.7	0.7	1.1	...
	ann ave % chg	3.4	3.1	2.5	2.4	2.7	3.0	...
Real private consumption	qtr % chg[1]	0.4	0.7	1.2	0.5	2.0	1.6	...
	ann ave % chg	3.1	2.8	2.9	2.8	3.2	4.0	...
Real public consumption	qtr % chg[1]	1.7	0.1	-0.4	1.5	0.5	0.8	...
	ann ave % chg	3.0	2.6	2.5	2.7	2.2	2.2	...
Real residential investment	qtr % chg[1]	-1.4	2.6	0.9	4.9	5.3	2.3	...
	ann ave % chg	5.7	3.2	2.0	2.8	6.3	9.5	...
Real non-residential investment	qtr % chg[1]	2.1	2.5	-2.0	1.6	1.2	0.2	...
	ann ave % chg	5.3	4.3	2.2	2.4	2.4	1.9	...
Export volumes	qtr % chg[1]	-0.1	2.6	-0.6	-0.4	3.5	-0.7	...
	ann ave % chg	5.9	7.6	6.8	5.5	4.8	3.1	...
Import volumes	qtr % chg[1]	1.1	-2.1	0.7	0.7	2.7	1.2	...
	ann ave % chg	6.6	5.6	3.6	2.1	1.2	2.1	...
Nominal GDP - expenditure basis	ann ave % chg	2.8	2.8	3.3	4.0	4.2	4.4	...
Real GDP per capita	ann ave % chg	1.6	1.2	0.6	0.5	0.6	0.9	...
Real Gross National Disposable Income	ann ave % chg	2.1	1.5	1.4	2.0	2.5	3.1	...
External Trade								
Current account balance (annual)	NZ$ millions	-8,752	-8,529	-8,321	-7,821	-7,371	-7,480	...
	% of GDP	-3.6	-3.5	-3.4	-3.1	-2.9	-2.9	...
Investment income balance (annual)	NZ$ millions	-9,499	-9,581	-9,207	-8,752	-8,337	-8,112	...
Merchandise terms of trade	qtr % chg	1.5	-3.8	-2.0	4.2	-2.5	-1.9	...
	ann % chg	-4.2	-3.6	-3.2	-0.4	-4.3	-2.3	...
Prices								
CPI inflation	qtr % chg	0.4	0.3	-0.5	0.2	0.4	0.3	0.4
	ann % chg	0.4	0.4	0.1	0.4	0.4	0.4	1.3
Tradable inflation	ann % chg	-1.8	-1.2	-2.1	-1.2	-1.5	-2.1	-0.1
Non-tradable inflation	ann % chg	2.1	1.5	1.8	1.6	1.8	2.4	2.4
GDP deflator	ann % chg	0.5	0.8	0.3	0.9	0.0	0.7	...
Consumption deflator	ann % chg	0.7	1.1	0.7	0.8	0.7	-0.1	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.0	-0.3	1.1	1.2	2.4	1.3	0.8
	ann % chg[1]	2.9	1.4	1.4	2.0	4.5	6.1	5.8
Unemployment rate	%[1]	5.5	5.6	4.9	5.2	5.0	4.9	5.2
Participation rate	%[1]	68.9	68.3	68.3	68.8	69.7	70.1	70.5
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.5	0.4	0.4	0.4	0.4	0.5	0.4
	ann % chg	1.6	1.6	1.5	1.6	1.5	1.7	1.6
QES average hourly earnings - total[5]	qtr % chg	0.8	1.0	0.3	0.3	0.5	0.5	-0.1
	ann % chg	2.8	2.3	2.1	2.4	2.1	1.7	1.3
Labour productivity[6]	ann ave % chg	0.7	0.8	0.6	0.8	-0.2	-1.2	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	-0.1	1.4	1.2	1.1	2.5	0.3	...
	ann % chg	5.8	5.2	5.2	4.8	6.4	5.1	...
Total retail sales volume	qtr % chg[1]	0.0	1.6	1.1	0.9	2.2	0.9	...
	ann % chg	5.5	5.7	5.3	4.9	6.0	5.1	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	113	106	111	110	106	108	113
QSBO - general business situation[4]	net %	5.1	-14.5	14.7	1.7	18.6	25.7	28.3
QSBO - own activity outlook[4]	net %	9.3	21.7	21.6	3.8	16.8	39.2	27.0

Monthly Indicators

		2016M07	2016M08	2016M09	2016M10	2016M11	2016M12	2017M01
External Sector								
Merchandise trade - exports	mth % chg[1]	2.3	-8.2	0.7	9.7	-12.0	9.1	...
	ann % chg[1]	-4.9	-8.8	-5.7	2.9	-5.5	-0.9	...
Merchandise trade - imports	mth % chg[1]	4.1	-3.4	5.3	1.7	-8.5	3.9	...
	ann % chg[1]	-11.9	-3.7	0.8	0.1	-5.6	-0.9	...
Merchandise trade balance (12 month total)	NZ$ million	-2956	-3106	-3354	-3248	-3199	-3198	...
Visitor arrivals	number[1]	291,360	286,460	297,600	303,830	304,930	300,950	...
Visitor departures	number[1]	298,870	282,240	294,060	309,980	302,920	314,410	...
Housing								
Dwelling consents - residential	mth % chg[1]	-4.4	-3.0	-0.8	2.0	-9.2	...	...
	ann % chg[1]	-0.5	23.7	13.7	9.6	5.0	...	...
House sales - dwellings	mth % chg[1]	-8.1	6.1	-5.2	-8.7	4.0	-0.9	...
	ann % chg[1]	-10.1	-3.1	-9.5	-14.2	-5.9	-10.7	...
REINZ - house price index	mth % chg	2.8	-1.9	1.2	0.2	0.9	0.4	...
	ann % chg	16.3	11.7	9.7	14.4	14.9	13.5	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.2	-1.2	1.9	0.5	-0.1	-0.1	...
	ann % chg	5.8	3.2	6.1	4.2	5.1	5.8	...
New car registrations	mth % chg[1]	-0.4	8.8	-1.1	3.1	-0.9	-1.9	...
	ann % chg	-1.9	10.5	8.6	13.1	13.3	7.8	...
Migration								
Permanent & long-term arrivals	number[1]	10,490	10,380	10,990	11,090	11,010	10,930	...
Permanent & long-term departures	number[1]	4,810	4,710	4,660	4,880	4,820	4,920	...
Net PLT migration (12 month total)	number	69,015	69,119	69,954	70,282	70,354	70,588	...
Commodity Prices								
Brent oil price	US$/Barrel	44.95	45.84	46.57	49.52	44.73	53.22	*54.54*
WTI oil price	US$/Barrel	44.69	44.76	45.20	49.81	45.73	52.06	*52.57*
ANZ NZ commodity price index	mth % chg	-0.3	1.9	3.9	2.1	3.2	2.0	...
	ann % chg	-5.8	-0.5	-5.0	-4.6	3.0	9.4	...
ANZ world commodity price index	mth % chg	2.1	3.2	5.1	0.7	3.2	0.7	...
	ann % chg	1.9	11.1	10.6	4.0	13.6	16.5	...
Financial Markets								
NZD/USD	$[2]	0.7123	0.7229	0.7309	0.7159	0.7153	0.7049	*0.7126*
NZD/AUD	$[2]	0.9472	0.9481	0.9634	0.9395	0.9489	0.9579	*0.9547*
Trade weighted index (TWI)	June 1979 = 100[2]	76.30	76.77	77.84	76.87	77.93	78.12	*78.55*
Official cash rate (OCR)	%	2.25	2.00	2.00	2.00	1.75	1.75	1.75
90 day bank bill rate	%[2]	2.37	2.24	2.23	2.15	2.07	2.03	*1.98*
10 year govt bond rate	%[2]	2.27	2.20	2.40	2.54	2.99	3.33	*3.23*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	16.0	15.5	27.9	24.5	20.5	21.7	...
ANZ - activity outlook	net %	31.4	33.7	42.4	38.4	37.6	39.6	...
ANZ-Roy Morgan - consumer confidence	net %	118.2	117.7	121.0	122.9	127.2	124.5	128.7
Performance of Manufacturing Index	Index	55.5	55.1	57.5	55.1	54.5	54.5	...
Performance of Services Index	Index	54.5	58.1	54.5	56.7	58.1	58.4	...

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