THE TREASURY
Kaitohutohu Kaupapa Rawa

Monthly Economic Indicators

New Zealand Government

February 2017

Executive Summary

- **Private consumption growth likely moderated in the December 2016 quarter, following strong growth earlier in the year**
- **Migration and international visitor arrivals reached new record highs in January 2017**
- **Dwelling consents and prices ease**
- **Trading partner growth outlook remains positive, although political uncertainty is creating risks**

Key economic data released in February point to a moderation in consumption growth in the December 2016 quarter, following strong growth in the previous two quarters. However, electronic card data surged in January, which in combination with rising consumer confidence in February points to a likely rebound in consumption growth in the March quarter 2017. Inbound tourism and migration reached new records in January, with 3.5 million international visitors in the year and 71,300 net migrants.

Dwelling consents and house prices continued to decline in December, at odds with the record net migration inflows which underpin housing demand. The dip in dwelling consents is expected to be temporary as a significant amount of work remains in the pipeline and sentiment in the construction sector continues to buoy the ANZBO business confidence measure, although capacity constraints in the sector remain a risk.

Prices continue to evolve as expected; dairy prices at the GDT auction in February retraced slightly from January's levels. However, the lift in dairy prices towards the end of 2016 supported higher producer prices in the December 2016 quarter, in addition to higher oil prices. Strong food prices in January indicate some upside to the near-term inflation outlook, depending on the extent of retracement.

The outlook for growth in our major trading partners continued to improve. In Australia, growth in activity resumed in the December quarter following September's contraction, although it is expected to be some time before growth is sufficiently strong to generate a marked tightening in the labour market. In other regions, the faster pace of growth evident at the end of 2016 appears to have been sustained into 2017. Nonetheless, there are still a significant number of risks evident, with political risk in Europe prominent over the month. There is some evidence that heightened political uncertainty may harm global trade growth.

This month's special topic focusses on recent trends in tax revenue, where a sharp increase in core Crown tax revenue has been reported for the six months to December 2016. The increase appears to be driven by momentum in the economy, but may also be partly explained by other factors such as timing, base effects, and changes in tax payer behaviour (ie, with tax pooling).

Analysis

Data released over February continue to point to moderate growth over the December 2016 quarter against the backdrop of modest private consumption but record-high tourism and migration. Falling dwelling consents and house prices suggest some levelling off in the housing market, although this is expected to be temporary. Strong growth in the terms of trade and a pick up in producer prices point to robust growth in the nominal economy in the December 2016 quarter.

Private consumption growth moderated in December…

Retail sales growth was broad based in the December quarter and consistent with fairly modest growth in real private consumption in the December quarter (following two quarters of strong growth). Both core and headline retail sales volumes grew 0.6% in the quarter, with headline retail values up 1.1%. Annual growth in retail sales volumes has been tracking at around 5% throughout 2016 and this continued in the December quarter. This outturn suggests that private consumption growth may be marginally weaker than the *Half Year Update* forecast of 1.0% growth in the December quarter. However, the strong growth in the September 2016 quarter still means that growth in the second half of 2016 will likely be stronger than forecast.

…but card spending surged in January

Total electronic card spending grew by its largest monthly increase in a decade in January (2.7%, sa), following flat spending in the previous two months. All six retail industries increased, led by durables (3.1%). While some of the increase will represent spending by tourists, this surge suggests March quarter consumption growth may rebound, with the more moderate December quarter growth likely temporary.

…buoyed by tourism exports

Tourism in New Zealand continues to hold up at a high level. Hospitality spending remained firm in January (up 9.0% in the year and 1.7% (sa) in the month), supported by strong growth in the number of international visitors to New Zealand, which rose by 11% in the year ended January 2017 with a record 3.5 million visitors in the year. The number of New Zealanders travelling also remains high, with a new annual record of 2.6 million overseas trips in the January 2017 year (up 9%).

The Kaikōura earthquake had a clear impact on accommodation providers in the affected regions. Kaikōura saw a 41% drop in guest nights in November, while guest nights fell 8% in Wellington. However, growth in guest nights was strong at the national level. Guest nights rose 5.1% in the year to November 2016, led by a 12% rise in international guest nights.

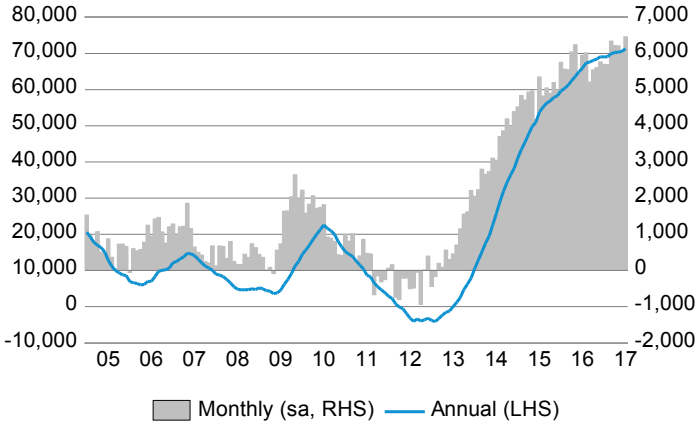
…with rising consumer confidence

The ANZ-Roy Morgan Consumer Confidence Index rose on a seasonally adjusted basis in February from 124.3 to 125.4, indicating above-average confidence about the future. A net 15% felt financially better off than a year ago, which is the highest since 2008.

Migration continues to reach new highs…

New Zealand continues to be a popular destination to live, not just visit. Annual net migration continued to surpass previous records, as a seasonally adjusted net 6,460 permanent and long-term (PLT) migrants arrived in January 2017, lifting the annual net inflow to a record 71,300. A fifth of all migrant arrivals were from Australia, two-thirds of whom were NZ citizens.

Figure 1: Net migration



Source: Statistics NZ

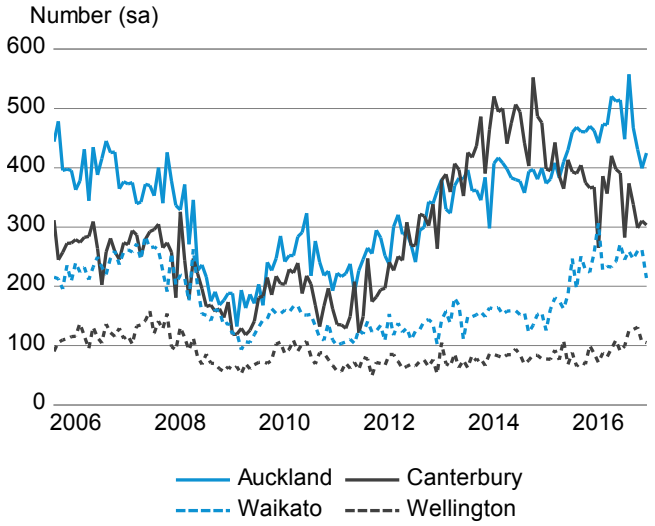
…but dwelling consents fell in December

Despite continued record-high net migration, the trend number of new dwellings consents fell for the fifth consecutive month in December, down 7.2% on a seasonally adjusted basis. Housing consents (which are less volatile due to the exclusion of apartments) bounced back slightly in December, up 3.5% (sa) after a 7.7% fall in November. For the December quarter, consents for all dwellings fell 7.9% while housing consents were down 6.8%.

The number of dwellings consented in December 2016 were 13% lower than in December the year prior, led by falls of 22% in Auckland, 25% in Waikato, and 27% in Canterbury. Strength in consents earlier in the year, however, meant the number of consents in 2016 as a whole were 10% higher than in 2015. Some analysts view the recent dip in consents as pointing to a lack of capacity in the construction industry, with

anecdotal reports of developers finding access to funding difficult and shortages of skilled labour. We expect the recent weakness will prove temporary as strong demand from a growing population pushes consents higher.

Figure 2: Number of housing consents (monthly)

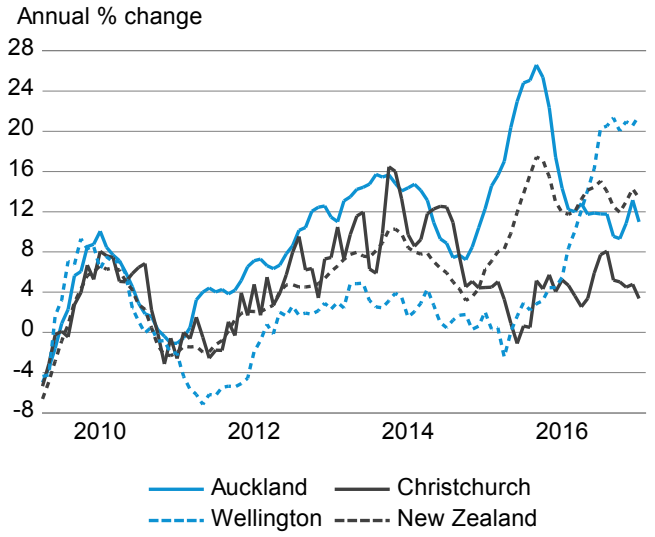


Source: Statistics NZ

…and house prices eased

REINZ data shows that the stratified median house price fell 0.9% (sa) in January as price declines in Auckland (-6.2% (sa)) offset slight increases in the rest of New Zealand. January is typically the quietest month for sales, and volumes were down 6% (sa) from December, making price changes more volatile. On an annual basis prices rose 11.7% across NZ boosted by several regions rising by 20% or more, including Wellington. Most of the annual increase occurred in the first half of 2016 with the recent slowing in growth possibly reflecting factors such as the tightening of LVR restrictions.

Figure 3: Monthly house prices



Source: REINZ

The terms of trade rose in December

The merchandise terms of trade rose 5.7% in the December quarter, following a 1.1% fall in the September quarter, to be 6.7% higher than the year prior. The rise was driven by a 4.8% lift in export prices and a 0.8% fall in import prices. Export price rises were broad based, led by a 13.7% increase in dairy prices, reflecting gains made on the GDT platform in the September quarter. The GDT trade gains seen towards the end of 2016 will likely lift the merchandise terms of trade further over the March 2017 quarter. Most import prices fell, with the exception of petrol, iron and steel prices. The services terms of trade rose 2.5% in the quarter, driven by a 2.0% rise in export prices and a 0.5% decline in import prices, to be 6.2% higher in the year. Overall, the stronger terms of trade will contribute to robust growth in the nominal economy in the December 2016 quarter.

Subsequently, commodity prices consolidated…

Export commodity prices eased slightly at the start of 2017, with a 0.1% dip in the ANZ Commodity World Price Index in January. The decline was driven by weakness in wool products and whole milk powder, with prices increasing in 10 of the 17 commodities. The modest easing has meant prices have largely consolidated the gains seen over late 2016. The NZD Index was down 1.1% reflecting the strong dollar.

…with dairy prices falling in February

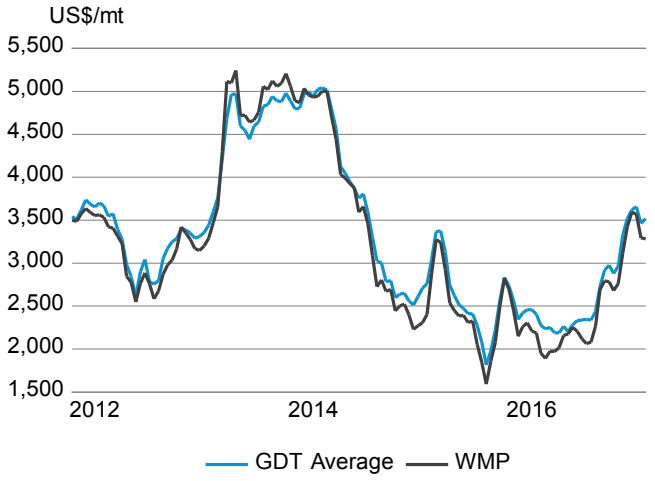
The GDT index was 1.2% lower at the end of February compared to the end of January (at US$3,474/mt), in line with *Half Year Update* expectations of some retracement following the large gains in the latter part of 2016. Volumes were 7.0% lower in the month, and are down 8.9% in the season to date.

The decline in price followed Fonterra's upward revision to estimated milk collection for the current season (from a 7% decline on last season to a 5% decline) and the amount of product available on the auction platform. The revision to milk collection came as the particularly wet spring, which had dampened production, seems to have partially alleviated typically dryer conditions in some regions in summer. That said, Northland, the Hawkes Bay, and East Coast are very dry, with farmers turning to supplementary feed.

Further, albeit small, retracement in prices in the next few GDT auctions would not come as a surprise, especially if production continues to improve. That said, market fundamentals are supportive of a relatively stable price outlook with the majority of the increases from late last year kept intact. In line with

this view, Fonterra reconfirmed its farmgate milk price forecast of $6.00/kg MS for the current season.

Figure 4: Dairy prices at GDT auction

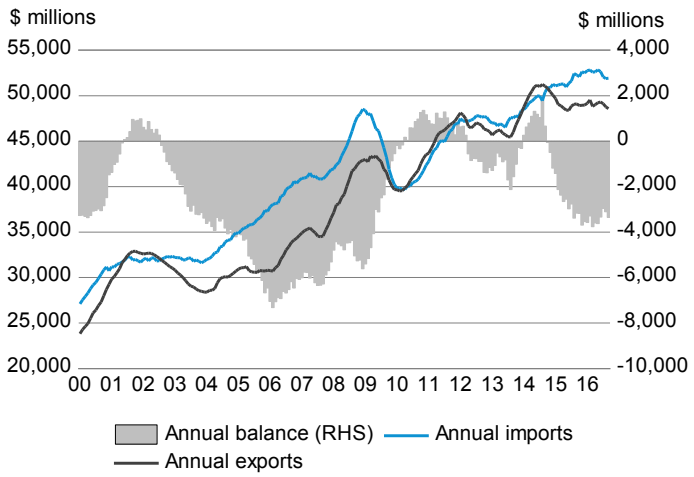


Source: GlobalDairyTrade

The merchandise trade deficit widened as imports outpaced exports

Merchandise trade data for January showed that the seasonally adjusted monthly goods deficit widened around $110 million to $357 million as relatively broad based import growth (3.9%), aided by the high NZD, outpaced exports growth (1.4%). Consequently, the annual goods deficit widened slightly to $3.5 billion from $3.2 billion in December. The strength in imports was slightly higher than anticipated in the *Half Year Update*, but was largely driven by petrol which can be particularly volatile and has recently seen moderate price rises. Exports benefited from a significant rise in meat volumes, while lower milk volumes (due to lower levels of production) were partially offset by higher prices.

Figure 5: Overseas Merchandise Trade



Source: Statistics NZ

Business surveys remain positive

Recent business surveys emphasise the strength in the services and construction sectors. The BNZ-BusinessNZ Performance of Services Index (PSI) continued to accelerate from late last year, likely reflecting the record growth seen to date in inbound tourism. The PSI reached 59.5 (sa) in January 2017 – its second-highest level since 2007. In contrast, the Performance of Manufacturing Index (PMI) continued to slow to a modest 51.6.

The February ANZBO showed business confidence eased slightly, but from a high level. A net 17% of businesses were optimistic about the year ahead (22% in December). Investment intentions were at their second-highest level in almost two years, while a net 37% of firm's expected better times ahead for their own business, well above the long-run average of a net 28%. The construction sector showed the greatest optimism about their own activity, and agriculture the least.

Producer price growth accelerates…

As was the case in the consumer price index data, price increases for businesses accelerated in the December quarter. The inputs producer price index (PPI) rose 1.0% (2.3% apc) and the outputs PPI was up 1.5% (2.5% apc). The quarterly growth in output prices was largely driven by dairy and fuel prices, as well as continued increases in construction.

The capital goods price index rose 1.1% in the December quarter, to be up 3.4% in the year to December. The largest quarterly increases were in the three areas of construction – residential buildings increased by 1.4%, non-residential buildings by 2.5%, and civil construction by 2.6%. Plant, machinery and equipment prices fell 0.5% in the quarter.

…while food prices rise strongly

Looking forward, the January Food Price Index (FPI) points towards a strong outturn for March quarter 2017 consumer price index (CPI) inflation. The FPI rose 0.9% (sa) in January - broad based but particularly high for fruit and vegetables (2%). Food prices comprise almost 20% of the CPI, and this unexpectedly strong increase point to food prices contributing around 0.2-0.3%-points to headline March quarter CPI inflation as a result, depending on the extent that prices retrace.

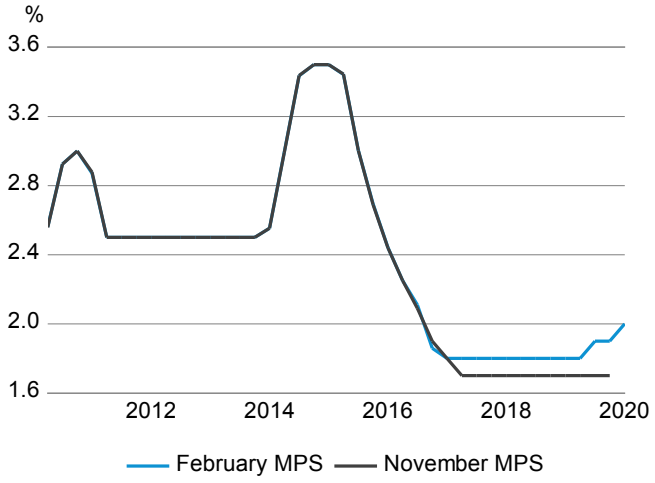
Food and oil prices have played a large part in the recent strength in CPI inflation, with core measures remaining more subdued. It is likely that inflation may ease again before a sustained increases occurs given the impact of an elevated exchange rate, and as the

impact of recent petrol price rises drop out of the annual calculation.

RBNZ keeps OCR unchanged

At the February Monetary Policy Statement (MPS), the RBNZ kept the OCR at 1.75%, as widely expected. The February MPS forecast annual inflation to reach 2% in 2019Q2, a year later than the Treasury's *Half Year Update* (2018Q2). The RBNZ forecast a rate rise towards the end of 2019, in contrast to market pricing prior to the MPS which suggested a 72% probability of a hike in September 2017. Market expectations of a hike were pushed out following the release, from around September 2017 to current expectations of a hike by February 2018.

Figure 6: RBNZ OCR forecasts



Source: RBNZ

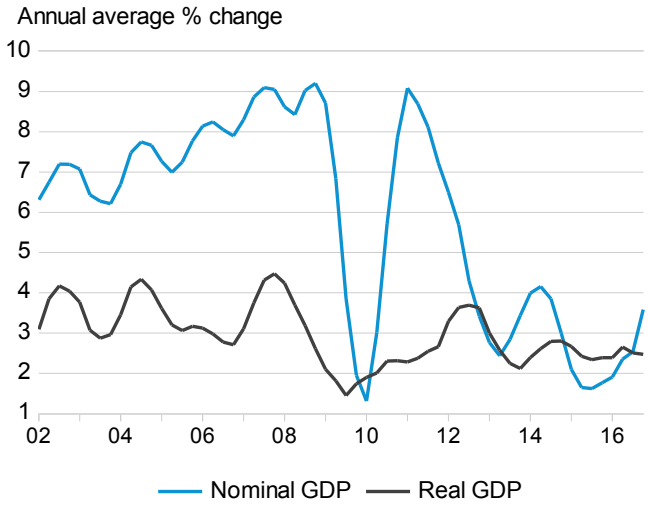
…and the NZD remains elevated

The NZD TWI has traded around 78.6 on average in 2017, up from an average of 77.7 in the final quarter of 2016. The higher exchange rate will likely dampen future inflation in the tradables sector, but will support importers of goods and services, including New Zealanders travelling abroad. Thus far the high dollar appears to have had a limited impact on inbound tourism and migration.

Australian growth recovers

The Australia economy expanded 1.1% in the December quarter 2016, a decent bounce back from September's 0.5% contraction, to be 2.4% higher than in the same quarter a year ago, and 2.5% higher over the year (Figure 7). Growth was broad based with 15 out of 20 industries expanding in the quarter led by mining and professional services. Household consumption expenditure rose 0.9%, contributing 0.5%-points to growth while public and private investment contributed 0.3%-points each following falls last quarter. Inventories subtracted from growth offsetting the 0.2%-point contribution from net exports.

Figure 7: Australian nominal GDP growth accelerates



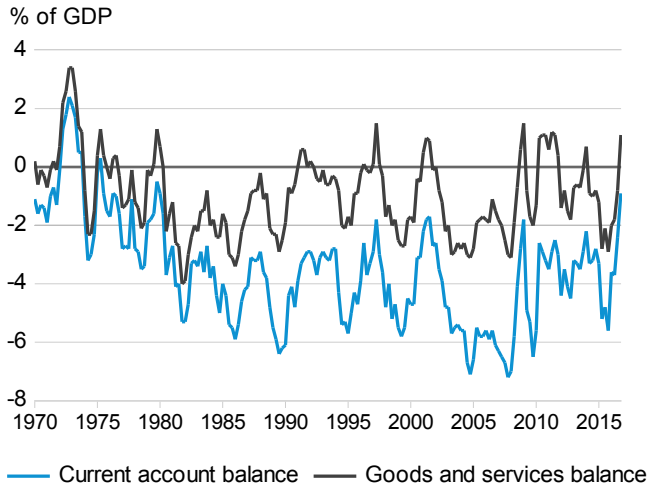
Source: ABS

Nominal GDP rose 3.0% in the quarter, driven by a 9.1% rise in the terms of trade, to be 6.1% higher than the same quarter a year ago and 3.6% higher over the year as a whole (Figure 7). The rise in the terms of trade also drove a 16.5% increase in company profits. However, compensation of employees fell 0.5% in the quarter and the average compensation per employee was down 0.9%, to be just 0.1% higher than a year ago. This weakness is consistent with growth in the Wage Price Index, which remained at a record low of 1.9% in 2016Q4. The divergence between business and household income growth is reflected in the gap between rising business confidence and static consumer confidence. The risks are that the former corrects towards the latter, leading to slower investment growth, and that weak income growth leads to slower consumer spending. The household saving ratio eased to 5.3% of disposable income, the lowest since 2008.

Prices for Australia's export commodities surged in late 2016, led by its two largest exports, iron ore and coal, driving an increase in export volumes. The result was a December quarter trade surplus and a sharp narrowing of the current account deficit to 0.9% of GDP on a quarterly seasonally adjusted basis, the narrowest since 1979 (Figure 8).

Some analysts expect the 2017Q1 current account to be in surplus for the first time since 1975. That said, spot prices for iron ore and coal have retreated from their peaks and the year-average balance is likely to remain in deficit over 2017, albeit low by historical standards. While beneficial for the current account, and profits of the predominately foreign-owned mining companies, the current commodity price cycle is unlikely to result in a further round of mining investment and employment growth.

Figure 8: Australia's current account heads towards surplus



Source: ABS

The Reserve Bank of Australia's (RBA) February Statement on Monetary Policy forecast 2017 GDP growth to pick up to an annual pace of around 3.0%, supported by low interest rates, a diminishing drag on growth from falling resource investment and rising resource imports. However, overall growth was seen as unlikely to be sufficient to generate much of a decline in the unemployment rate, which has been in the 5.6% to 5.8% range over the past year, over the forecast period. With a degree of spare capacity persisting in the labour market, the RBA anticipates a gradual pick up in underlying inflation.

The RBA acknowledges that lower interest rates may promote lower unemployment and greater inflationary pressures. However, lower interest rates also risk creating fragilities in household balance sheets that could cause problems for the economy in the medium-term. Achieving the correct balance between these effects was a key consideration in the RBA's February decision to maintain the policy interest rate at 1.50%.

Overall, the soft state of the Australian labour market is a key reason the Treasury expects the net inflow of trans-Tasman migration to New Zealand continue this year.

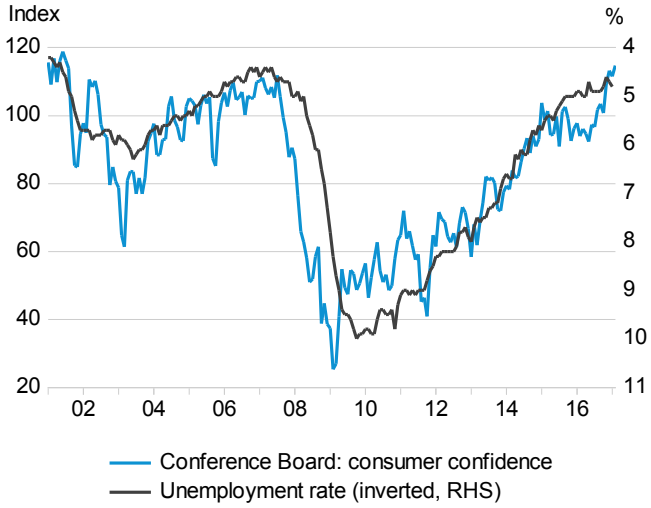
The RBA identified policy uncertainty in the United States and the outlook for growth in China as key sources of global risk to the outlook. Domestic risks to the Australian economy include ongoing weakness in labour income growth feeding through to softer demand for housing and a downturn in the housing market. On the other hand, the recent pick up in the terms of trade and nominal income growth may be larger and more persistent than assumed.

Trading partner growth outlook remains positive…

The second reading of 2016Q4 US GDP growth was unchanged at 0.4%. However private consumption was revised up to 0.7%, from 0.6%, offset by a downward revision to investment. The US consumer has remained in a buoyant mood following the US election with consumer confidence rising to a 16-year high in February, according to the Conference Board survey (Figure 9). Manufacturing sentiment also strengthened. The ISM manufacturing index rose to 57.7 from 56.0 in February, consistent with other indicators. The unemployment rate moved up 0.1%-point to 4.8% in January and the annual pace of average earnings growth slowed to 2.5% from 2.8% in December, suggesting there is still some spare capacity in the labour market. Headline CPI inflation rose to 2.5% in January, the fastest pace since 2012, while core CPI rose to 2.3%.

Overall, the economic outlook appears to be evolving in line the Federal Reserve's expectations, which is consistent with three monetary policy rate rises over 2017.

Figure 9: US Consumer confidence rises post-election

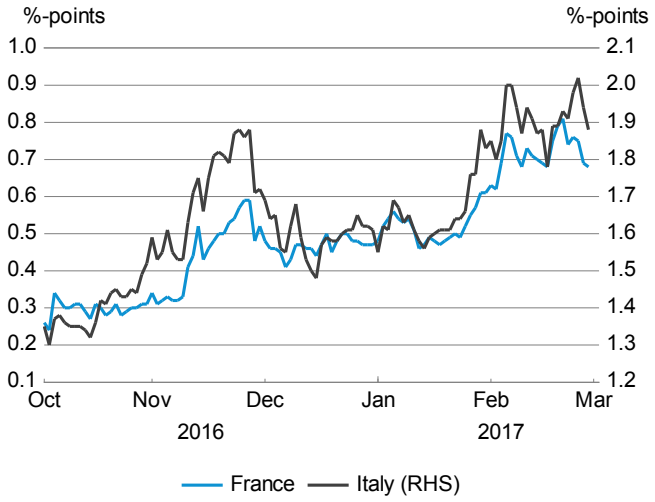


Source: Haver

In Europe, Germany overtook the United Kingdom as the fastest growing G7 economy during 2016, growing 1.9% in the year ended December 2016. Growth in the UK was revised down to 1.8% from an initial estimate of 2.0%. Growth in both economies was driven by consumer demand suggesting uncertainty around Brexit had not significantly impacted households. However, more timely data shows signs of weaker consumer spending in the UK. UK retail sales volumes contracted 0.3% in January, following a 2.1% drop in the previous month, likely reflecting increased pressure on household budgets as prices rise in the wake of the lower pound and wage growth slows.

Business surveys in the euro area point to a further acceleration from 2016Q4's quarterly pace of 0.4% growth. Indeed, the euro area manufacturing PMIs rose 0.2 points to 55.4 in February to their highest level in six years, driven by gains in Germany and Italy. Sentiment in France and Spain eased but remained elevated. Nonetheless, upcoming elections in a number of euro area economies and Brexit negotiations are increasing concerns about euro breakup risks. These concerns have been reflected in widening bond spreads between euro countries (Figure 10). Ongoing banking sector fragility and potential changes to US trade policy are also adding to uncertainty.

Figure 10: Spreads to German 10-years bonds have widened



Source: Haver

In China, annual CPI inflation rose to 2.5% in January, up from last month's 2.1%, and the PPI rose to 6.9% from 5.5% in December. The extent to which the higher PPI passes through to CPI inflation is being closely watched by analysts. Trade flows rebounded in January, with imports and exports up 16.7% and 7.9% from a year ago respectively. However, analysts noted that the timing of China's New Year may have affected the outturns. The official manufacturing PMI rose 0.3 points to 51.6 in February suggesting a faster pace of expansion. However the non-manufacturing PMI provided an offset, down 0.3 points to 53.2.

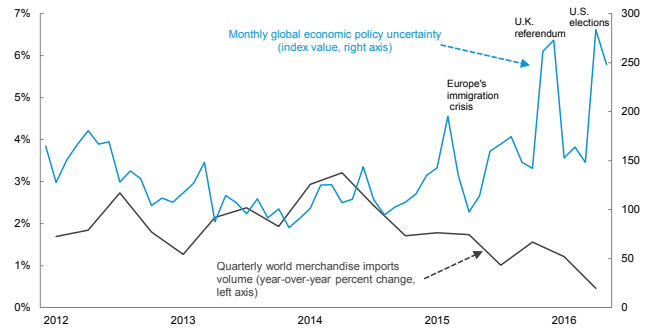
The People's Bank of China (PBoC) increased interest rates to help neutralise the differential between onshore and offshore interest rates created by higher interest rates in the United States. It may also help to slow capital outflows and credit growth. Foreign reserves in China fell for the seventh consecutive month in January, declining below USD$3 trillion for the first time since 2011. Capital outflows have surged over the past year as Chinese investors seek to diversify their portfolios and preserve their wealth amid general concerns that the yuan will keep depreciating. Towards the end of 2016 China's government moved to tighten capital controls by restricting residents' FX purchases, restricting offshore investment by firms and curbing offshore lending.

In Japan, the preliminary 2016Q4 GDP report showed growth of 0.2% in the quarter, the fourth consecutive quarter of growth, and 1.0% over the year. However 2017 got off to weak start with industrial production in January down 0.8%.

…although political uncertainty is creating risks

The World Bank's 2016 Global Trade Watch reports that trade volume growth over 2016 was the weakest since 2008, driven by slower growth in merchandise trade. The World Bank suggest that in addition to ongoing structural factors, including the slower pace of trade liberalisation, and cyclical factors, notably slow global growth, the increase in policy uncertainty in 2016 may have contributed to slower trade growth (Figure 11).

Figure 11: World import growth and policy uncertainty



Source: World Bank

The report's authors estimate that the increase in uncertainty in 2016 may explain up to 75% of the difference between trade growth rates in 2015 and 2016. In a less certain environment, firms may be reluctant to invest, consumers may cut back on consumption and banks may increase the cost of finance. Moreover, to the extent that the rise in policy uncertainty reflects uncertainty around trade policy in particular, trade may be directly affected. The report does not draw any direct welfare implications but the authors do note that trade in general can lead to productivity gains through multiple channels. In their view, preserving and expanding the reach of trade agreements would help to sustain the growth of productivity.

Special Topic: Recent Trends in Tax Revenue

Core Crown tax revenue is currently around $70 billion a year and is forecast to increase to $90 billion by 2020/21. Tax revenue is by far the largest share of core Crown revenue ($76 billion in 2015/16) and is necessary to fund core Crown expenses ($74 billion in 2015/16).

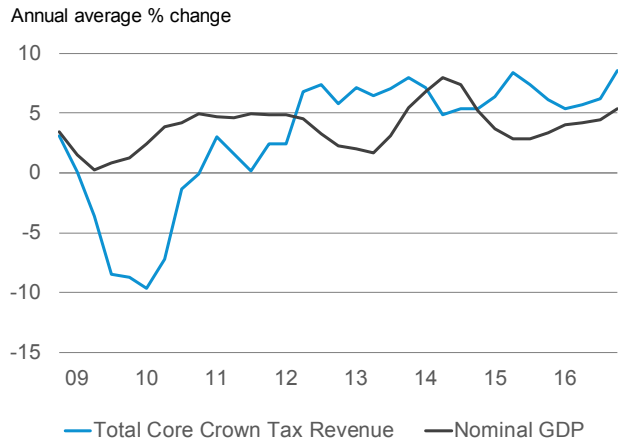
The Financial Statements of Government (FSG) for the six months to December 2016 were released on 16 February. The FSG showed that core Crown tax revenue had increased by 9.2% on the corresponding period of 2015. This was a sharp increase on the 5.7% reported in the 12 months to June 2016.

This special topic explores the reasons behind this comparatively strong growth rate, whether or not it was expected and the likelihood of it continuing.

What's behind the tax revenue growth?

Core Crown tax revenue grew by 8.5% in the 12 months to December 2016. This was above the growth rate of nominal GDP (estimated at around 5%) and has been for the past two years.

Figure 1: Core Crown tax revenue and nominal GDP



Source: The Treasury, Statistics NZ

The main components of the tax revenue growth were:

- GST, which was up $1.7 billion, or 9.8%, on the previous year
- Source deductions, up $1.8 billion (7.1%), and
- Corporate tax[1], up $1.8 billion (16.8%).

GST

GST was $173 million above forecast for the six months to December and was the main factor in total core Crown tax revenue being $313 million above forecast. Growth in GST accelerated through the second half of 2016, supported by growth in:

- nominal private consumption, estimated at +4.8% in the year to Dec 2016
- nominal services exports (spending in New Zealand by international visitors attracts GST), which was up by just over 6%, and
- nominal residential investment, which is estimated to have grown by nearly 20% through 2016.

Services exports captures spending by international visitors in New Zealand, which has been boosted by record numbers of tourists coming into the country. Residential investment is experiencing strong growth owing to the high demand for new houses around the country. Although private consumption accounts for most of core Crown GST revenue, the rapid growth of these other components recently has made a noticeable positive contribution to GST's growth rate.

Source deductions

Source deductions are the total of:

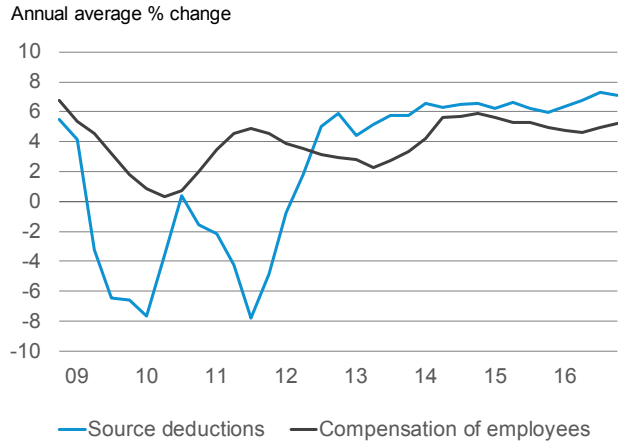
- Pay-as-you-earn (PAYE) tax, deducted from wage, salary and social-assistance benefit income, and
- Employer Superannuation Contribution Tax (ESCT), deducted from employer contributions to registered superannuation schemes including Kiwisaver.

Growth in source deductions has been running ahead of growth in its principal economic driver, compensation of employees (COE), for the past four years as shown in Figure 2.

A gap opened up between the two growth rates through 2012 and 2013, as the ESCT base was broadened to include employer contributions to Kiwisaver. The gap closed somewhat in 2014, one year after the Kiwisaver change, with the remaining gap through 2014 and 2015 being mainly due to fiscal drag, ie, the effect whereby, owing to the progressive nature of the personal income tax scale, average PAYE rates increase as incomes increase.

[1] Net company tax plus non-resident withholding tax and foreign dividend withholding payments.

Figure 2: Source deduction revenue and compensation of employees



Source: The Treasury, Statistics NZ

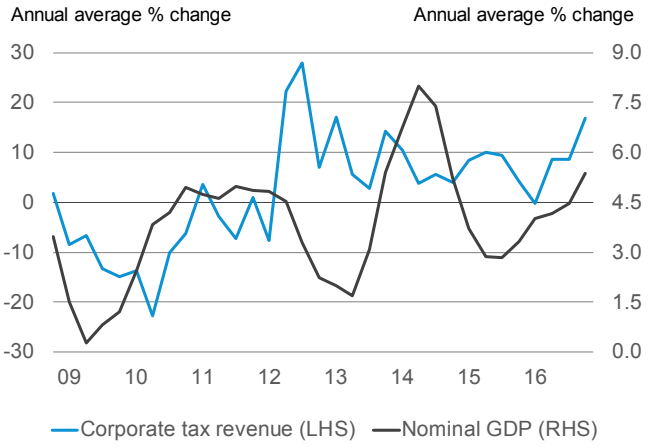
The widening of the gap through 2016 is a little more puzzling, as it cannot be completely explained by non-COE factors such as fiscal drag and PAYE on benefits. The gap may become smaller should past growth rates of COE be revised upward in the future.

Total growth in source deductions was close to expectations, with source deductions for the six months to December 2016 just 0.1% above forecast.

Corporate tax

The annual growth rate of corporate tax increased noticeably in the December quarter as shown in Figure 3.

Figure 3: Corporate tax revenue and nominal GDP



Source: The Treasury, Statistics NZ

Part of the reason for this is that, in the calculation of the annual growth rate, the comparatively weak December 2015 quarter's corporate tax outturn has moved from the numerator to the denominator. The weak December 2015 quarter was part of a long-running trend which has seen the filing of annual income tax assessments, which form the basis of the revenue calculation, move to later in the tax year as tax pooling has grown in popularity. On top of this, there was noticeably strong growth in provisional tax through the second half of 2016.

Similar to source deductions, corporate tax was in line with expectations, just 0.8% above forecast.

Future implications

Based on the GDP outturn for the September 2016 quarter and indicators for the December quarter, growth in economic activity over the latter half of 2016 was stronger than was forecast in both the 2016 *Budget* and the 2016 *Half-year Update*. This has been reflected in tax revenue outturns, with all tax types at least slightly above forecast for the six months to December.

However, the degree to which these above-forecast trends continue through coming months is uncertain. For instance, residential investment and the number of inbound tourists are not expected to continue to grow at the comparatively high rates of recent times. This means that the current growth rate of GST is unlikely to be sustained. Furthermore, monthly tax data can be volatile so, even during periods of stronger- or weaker-than-forecast economic growth, there may be individual instances of monthly tax outturns being lower or higher than forecast.

The FSG for January 2017 will be released on Tuesday 7 March. Revised economic and tax forecasts will be published in the 2017 *Budget Economic and Fiscal Update* on 25 May.

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	-2.0	-1.1	5.7
	ann % chg	-4.2	-3.6	-3.2	-0.4	-3.8	-1.1	6.7
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	1.3	1.4	1.0	2.5	0.2	0.6
	ann % chg	5.8	5.2	5.2	4.8	6.4	5.0	3.8
Total retail sales volume	qtr % chg[1]	0.0	1.6	1.3	0.9	2.2	0.7	0.6
	ann % chg	5.5	5.7	5.3	4.9	6.0	5.1	3.9
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

		2016M08	2016M09	2016M10	2016M11	2016M12	2017M01	2017M02
External Sector								
Merchandise trade - exports	mth % chg[1]	-7.8	0.5	9.7	-11.8	8.6	1.5	...
	ann % chg[1]	-8.8	-5.7	3.0	-5.0	-0.9	0.3	...
Merchandise trade - imports	mth % chg[1]	-3.2	5.4	1.9	-8.5	3.8	3.9	...
	ann % chg[1]	-3.7	0.8	0.1	-5.7	-1.1	8.0	...
Merchandise trade balance (12 month total)	NZ$ million	-3106	-3354	-3247	-3177	-3171	-3468	...
Visitor arrivals	number[1]	286,430	297,670	303,850	304,930	300,940	306,610	...
Visitor departures	number[1]	281,760	293,820	309,660	302,200	313,140	301,960	...
Housing								
Dwelling consents - residential	mth % chg[1]	-3.1	-0.7	1.6	-9.6	-7.2	...	...
	ann % chg[1]	23.7	13.7	9.6	5.0	-13.1	...	...
House sales - dwellings	mth % chg[1]	6.3	-5.3	-8.8	3.8	-2.0	-6.3	...
	ann % chg[1]	-3.1	-9.5	-14.2	-5.9	-10.7	-14.7	...
REINZ - house price index	mth % chg	-1.9	1.3	0.2	0.8	0.4	-0.9	...
	ann % chg	11.7	9.7	14.4	14.9	13.5	11.7	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	-1.2	2.0	0.5	0.0	0.0	2.7	...
	ann % chg	3.2	6.1	4.2	5.1	5.8	5.6	...
New car registrations	mth % chg[1]	9.0	-1.1	3.0	-1.0	-2.0	1.4	...
	ann % chg	10.5	8.6	13.1	13.3	7.8	12.2	...
Migration								
Permanent & long-term arrivals	number[1]	10,390	11,000	11,100	11,030	10,970	11,370	...
Permanent & long-term departures	number[1]	4,700	4,660	4,880	4,820	4,920	4,910	...
Net PLT migration (12 month total)	number	69,119	69,954	70,282	70,354	70,588	71,305	...
Commodity Prices								
Brent oil price	US$/Barrel	45.84	46.57	49.52	44.73	53.22	54.58	*54.58*
WTI oil price	US$/Barrel	44.76	45.20	49.81	45.73	52.06	52.56	*52.56*
ANZ NZ commodity price index	mth % chg	1.9	3.9	2.1	3.2	2.0	-1.1	...
	ann % chg	-0.5	-5.0	-4.6	3.0	9.4	8.6	...
ANZ world commodity price index	mth % chg	3.2	5.1	0.7	3.2	0.7	-0.1	...
	ann % chg	11.1	10.6	4.0	13.6	16.5	19.1	...
Financial Markets								
NZD/USD	$[2]	0.7229	0.7309	0.7159	0.7153	0.7049	0.7126	*0.7126*
NZD/AUD	$[2]	0.9481	0.9634	0.9395	0.9489	0.9579	0.9547	*0.9547*
Trade weighted index (TWI)	June 1979 = 100[2]	76.77	77.84	76.87	77.93	78.12	78.55	*78.55*
Official cash rate (OCR)	%	2.00	2.00	2.00	1.75	1.75	1.75	1.75
90 day bank bill rate	%[2]	2.24	2.23	2.15	2.07	2.03	1.98	*1.98*
10 year govt bond rate	%[2]	2.20	2.40	2.54	2.99	3.33	3.23	*3.23*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	15.5	27.9	24.5	20.5	21.7	...	16.6
ANZ - activity outlook	net %	33.7	42.4	38.4	37.6	39.6	...	37.2
ANZ-Roy Morgan - consumer confidence	net %	117.7	121.0	122.9	127.2	124.5	128.7	127.4
Performance of Manufacturing Index	Index	55.1	57.5	55.1	54.3	54.2	51.6	...
Performance of Services Index	Index	58.2	54.5	56.9	58.4	58.5	59.5	...