

May 2017

Executive Summary

- ▶ **Employment growth led to a lower unemployment rate of 4.9%**
- ▶ **House prices were fairly flat, while sales and consents fell**
- ▶ **Dairy export values were up 35% from a year ago and Fonterra increased its Farmgate Milk Price**
- ▶ **High net migration, visitor numbers and employment growth led to retail sales growth of 1.5% (sa) in March**
- ▶ **Internationally, support for interest rate rises is increasing in the US and EU, though ECB officials continue to downplay expectations.**

The number of people employed rose by 29,000 (1.2%) in the March quarter and migration driven population growth saw the labour force increase by 23,000 people (0.9%). With employment growth outstripping labour force growth, the number of unemployed declined and the unemployment rate fell from 5.2% to 4.9%. However, there was little sign of wage pressures building, and while employment rose, a large proportion was in part time roles, with total hours worked falling 0.6% (sa).

House prices were fairly flat, while sales and consents fell in April. Annual net migration remained at 71,900, and the May ANZ business confidence index for residential construction lifted 12% to a net 45%, providing some support towards expectations of future growth in consents.

The situation for dairy farmers continued to improve, with an increase in export values of 9.1% in the April month and an increase of 35.4% from a year ago. Strong GDT auction prices contributed to Fonterra increasing its Farmgate Milk Price for the 2016/17 season to \$6.15 from \$3.90 last season, and opening next season with a forecast of \$6.50.

The combination of high net migration, high visitor numbers, employment growth, and recovering farm incomes lead to an increase in retail sales of 1.5% (sa) in the March quarter.

The US Federal Reserve remained on hold in May though strong data continues to provide support for increases in the near term. The USD has continued to fall in the month as the Trump administration's ability to implement its pro-growth agenda becomes more uncertain. European Central Bank officials are continuing to talk down expectations of a change to monetary policy. Meanwhile tensions continue to rise between the UK and EU, in regard to Brexit, with UK elections fast approaching.

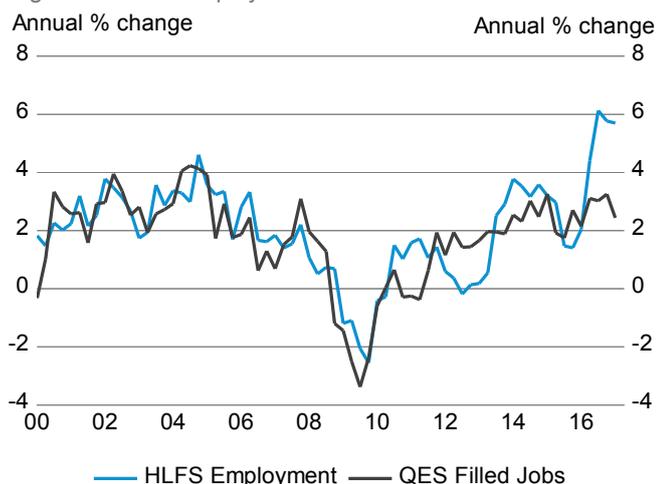
Analysis

Overall, data released in May suggest the economy expanded at a reasonable pace in the March quarter but April data was more mixed. In the March quarter, employment growth more than kept pace with migration-led population growth, although much of this was in part-time positions as total hours worked fell slightly. Core retail trade volumes increased 1.2% in the quarter, in line with our expectation of solid private consumption growth in the quarter. For the April month, dairy prices and values exported were higher than the April last year, and Fonterra's opening forecast for the 2017/18 season was a robust \$6.50 kg/MS. However, some indicators for April softened, with lower house sales, flat house prices, and a fall in monthly consents.

Headline employment growth was strong...

The suite of labour market data released in early May pointed to a tightening in the labour market, although wage pressures remain modest. The number of people employed rose by 29,000 (1.2%) in the March quarter according to the Household Labour Force Survey, with part-time employment increasing by 16,000 (3.1%) and full-time employment by 12,000 (0.6%). The high concentration of growth in part-time roles was reflected in the hours measures, with actual hours worked falling 0.6% (sa) in the quarter and the Quarterly Employment Survey (QES) total weekly paid hours were flat (+0.1%). Similarly, the changes in the QES FTE and filled jobs measures were fairly modest at 0.4% and 0.3% respectively.

Figure 1: HLFS Employment and QES Filled Jobs

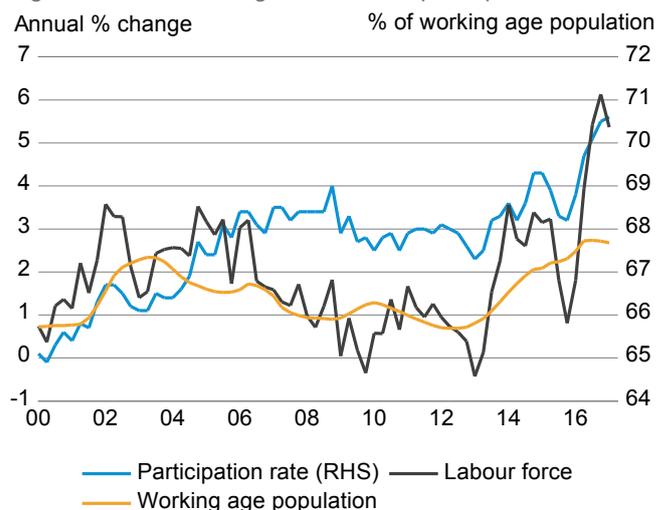


Source: Statistics New Zealand

Annual growth comparisons continue to be clouded by the HLFS design change in the 2016 June quarter. HLFS employment increased by 137,000 (5.7%) in the year to March, but recent analysis by Statistics New Zealand suggests around 50,000 of this change in employment was from the survey design change.¹ Growth in QES FTEs and filled jobs, at 2.5% and 2.4% respectively, is perhaps a more accurate measure of annual employment growth for the time being (Figure 1). All up, employment growth remains reasonably healthy, although perhaps not as strong as some of the headline measures suggest.

One of the key features of the labour market at present has been its ability to absorb a large increase in the labour force, a combination of high working-age population growth and a record participation rate (Figure 2). The working age population increased by 2.7% in the year to March, with around three fifths of this from net migration. Annual net migration was little changed between March and April at 71,900.

Figure 2: Labour force growth and the participation rate



Source: Statistics New Zealand

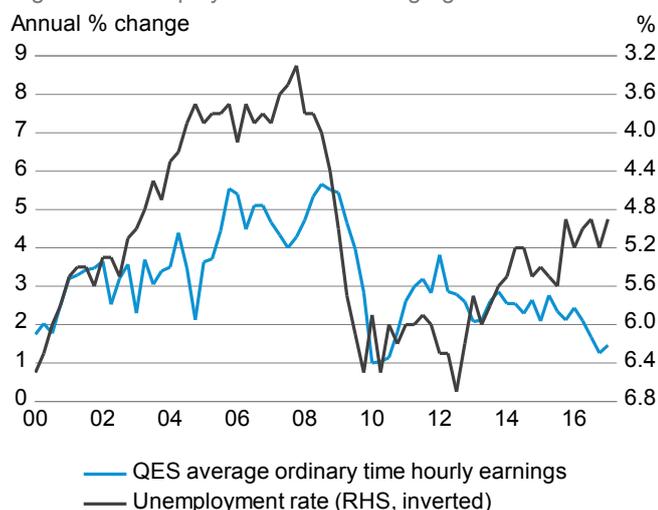
The labour force participation rate edged a little higher to a new record of 70.6%. The high participation rate is likely reflecting both an “encouraged worker” effect (strong employment growth typically encourages more people into the labour force) and the tendency of migrants to have higher participation rates. Taken together, the increase in population and the participation rate saw the labour force expand by 23,000 (0.9%) in the quarter and 136,000 (5.4%) in the year to March (although the annual change is also

¹ See the level shift estimates in Data Collections <http://datainfoplus.stats.govt.nz/item/example.org/0695feb9-8e89-4f28-839c-24746b0b2da2#/example.org/b7df565f-cf44-489e-8693-dae74d7eac50>

affected by the HLFS design change, with much of the level shift in employment from those previously considered to be not in the labour force). Another indicator of the labour market's ability to absorb the increase in the labour force is the employment rate (the share of the working-age population in employment), which also rose to a new record of 67.1%.

With employment growth outstripping labour force growth, the number of unemployed declined and the unemployment rate fell from 5.2% to 4.9% in March (Figure 3), a bit lower than both the Treasury's and market's expectations. The underutilisation measure also fell, to 12.5% of the extended labour force, compared with 13.8% a year ago (this measure is not seasonally adjusted).

Figure 3: Unemployment rate and wage growth



Source: Statistics New Zealand

...but wage pressures remain subdued

Despite the modest tightening in the labour market, wage pressures remain subdued. Annual growth in QES ordinary time hourly earnings lifted to 1.5% in March, from 1.3% in December. The increase was driven by public sector earnings, with annual growth lifting from 3.0% to 4.0%. Private sector earnings growth was unchanged at 1.1%, its lowest rate since 2010. Annual growth in the ordinary time labour cost index was steady at 1.6%. The Care and Support Workers Pay Equity Settlement Agreement is likely to have a modest impact on aggregate wage growth later this year.

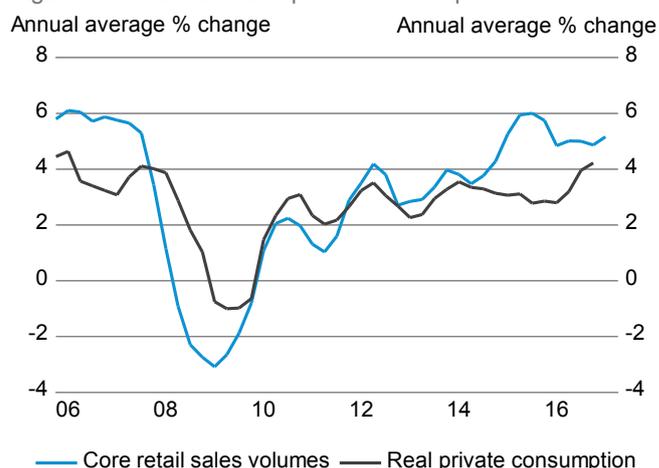
Most measures of wage growth are now below the rate of consumer price inflation, which lifted to 2.2% in the year to March (although some of the increase in inflation is owing to temporary factors). Some households may be responding to higher living costs by increasing the numbers of hours they work, with average weekly paid hours for FTEs 0.6% higher than a year ago. This has helped to lift annual growth in average ordinary time weekly earnings to 2.1%, broadly in line with inflation.

Looking ahead, economic growth is forecast to remain around or a little higher than current levels over the year ahead, which should continue to support further increases in employment. We expect this to be broadly matched by growth in the labour supply, which is being materially increased by migration as well as high participation, leading to only gradual further tightening in the labour market, with the unemployment rate hovering around 5%. With some spare capacity still in the labour market, wage pressures are expected to remain modest for the economy as a whole.

Retail sales grow

Although wage pressures remain modest, the combination of high employment, recovering farm incomes (more on this later), and population growth has boosted aggregate household incomes in the economy. There were also more people spending, with the number of visitor arrivals in the year to April 9.9% higher than the previous year. These factors saw a 1.5% increase (sa) in the volume of retail sales in the March quarter, while the value of retail sales was up 2.6% (sa). Growth in motor vehicles and parts was particularly strong at 5.9%, the highest quarterly increase since the series began. Core retail (ie, excluding vehicles and fuel) sales volumes growth was a little more subdued at 1.2%. Altogether, the retail sales outturn is consistent with real private consumption growth of about 0.9% in the March quarter, in line with the *Budget Update* forecast.

Figure 4: Retail sales and private consumption



Source: Statistics New Zealand

Electronic cards transaction data for April and a rebound in consumer confidence in May suggest the momentum in private consumption has continued into the June quarter. Retail card spending increased 1.1% (sa) in April from March. A record increase in grocery and liquor sales contributed to a 2.2% increase in consumables spending, while spending on durables and hospitality increased 1.3% and 0.7% respectively. Fuel sales eased 1.7% in the

month. Part of the increase in the grocery and liquor industry is likely to reflect higher food prices due to weather-impacted supply of seasonal produce. In addition, the timing of Easter relative to Anzac Day is likely to have boosted holiday-related spending (including for the hospitality industry) owing to people taking an extended Easter break. This may introduce some volatility to the April and May figures.

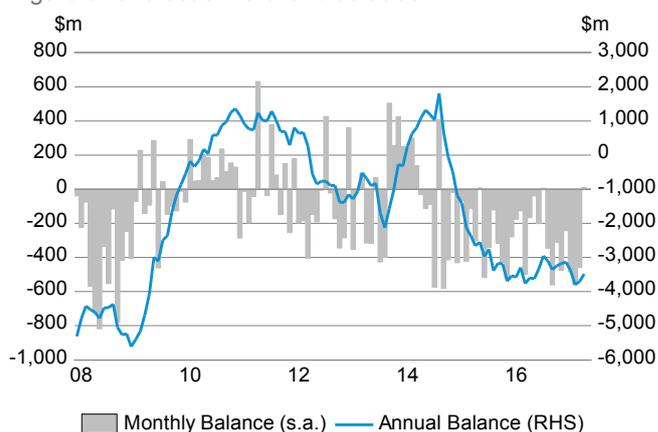
The ANZ-Roy Morgan consumer confidence index for May lifted from 121.7 to 123.9, above the long run average of 119. A net 16% of people say they are financially better off than they were this time last year, up from 9% in April.

Dairy boosts exports

The merchandise terms of trade rose 5.1% in the March quarter and was up 7.8% from a year ago. The quarterly rise was driven by an 8.0% increase in exports prices more than offsetting a 2.7% rise in import prices. Export prices in the quarter posted an increase in all main categories with the exception of wool and seafood, which fell 13.1% and 2.0% respectively. Dairy prices rose 18%. Export volumes declined 4.2% in the quarter, below expectations and posing some downside risk to our *Budget Update* real GDP forecasts. Dairy volumes posted the largest decline, down 11.2%, but strong production at the end of the season suggests they will increase, and there may be some offsetting impact for GDP from rising stock levels. Rising prices meant export values were up 3.4%. Import volumes rose 1.2%, with values up 6.2%.

The goods trade balance posted a \$19 million surplus (sa) in April, with a sharp rise in exports (up 18.1%) more than offsetting higher imports (up 6.2%). The increase in exports was broad-based, as all major categories with the exception of seafood and fruit increased. Wine values rose 7.9% despite volumes falling 21.7%. Dairy exports made the largest contribution, up 9.1% in value, driven by an 11.8% rise in volumes. Compared to a year ago, dairy values were up 35.4%, reflecting a strong rise in prices over the past year. The annual merchandise trade deficit narrowed by \$228 million to \$3.5 billion.

Figure 5: Overseas merchandise trade



Source: Statistics New Zealand

The outlook for dairy prices has continued to firm with the average USD milk price on the GDT platform posting a 5.5% rise in May. Milk production is also finishing the season on a stronger note, with production in the three months to April 5.2% higher than the same three months last year. In season to date terms, milk production is down just 0.7%, a solid recovery from being down by more than 3% during peak season in October. Reflecting ongoing gains in milk prices, as well as a solid outlook, Fonterra revised up its forecast Farmgate Milk Price for the current season to \$6.15 kg/MS from a final price of \$3.90 last season, and has opened the 2017/18 season with a forecast of \$6.50.

Dairy exports are poised to pick up strongly as dairy farmers continue to respond to high prices. Although, as always, much depends on the weather. That said, the goods balance is expected to deteriorate over the year ahead as solid investment and consumption, fuelled in part from high migration, drive imports growth.

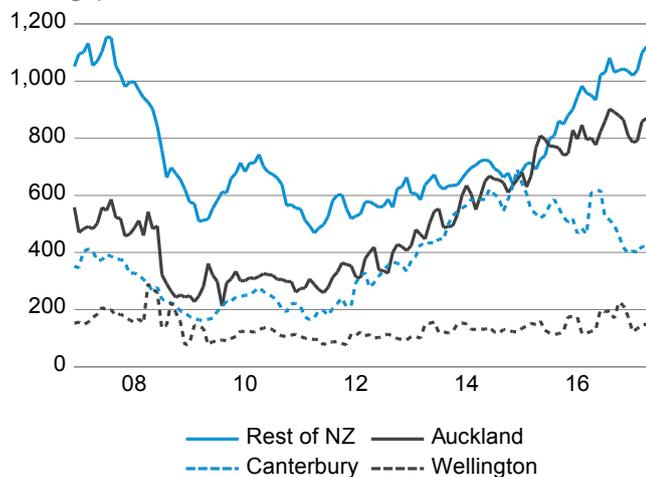
Housing demand appears weaker...

Housing activity continued to be fairly flat during April, as the REINZ house price index increased by 0.4% (sa). Auckland increased 0.2% (sa) while the rest of New Zealand was up 0.8% (sa). In the year to April house prices were up 5.2% in Auckland and 12.8% in the rest of New Zealand, but almost all of this increase occurred before October 2016 when the third round of LVR restrictions came into effect. House sales continued to fall in April, down 8.9% (sa) nationally from March. In the year to April sales were down 33.2%. Aside from the introduction of LVR restrictions, it is possible that the slight increases in interest rates are having an impact, although they are still very low by historical averages and forecast to rise only moderately in the *Budget Update*. This weakness in price growth is not expected to last, with underlying demand from population growth expanding faster than supply.

...and the pipeline of dwellings is not growing

The number of dwelling consents is the primary indicator of future construction activity. After a dip in consents in the last quarter of 2016 it appeared that numbers were bouncing back at the start of 2017. However, this is taking longer than expected, with April consents falling 7.6% (sa). The timing of ANZAC day relative to Easter could be contributing to this monthly weakness, adding importance to the May release. Outside of Auckland, Canterbury and Wellington there is still an upward trend, but with Auckland absorbing such a large proportion of new migrants, future growth is needed. Auckland consent numbers in recent months were below mid-2016 peaks (Figure 6).

Figure 6: Monthly dwelling consents (3 month moving average)



Source: Statistics New Zealand

The *Budget Update* forecast for residential investment incorporated a period of flatness based on the recent consent numbers and slowing house sales. However, with low interest rates and record population growth, we expect residential investment to start growing again in real terms at the start of 2018. Without the holiday-related factors of April, next month's consents will provide some indication of whether there is increased downside risk to this forecast. There is potential that with softer prices and sales construction firms may have become more cautious, although growth in the construction sector Producer Price Indexes (PPIs) suggests margins are improving.

Producers' prices increase...

Both the inputs and outputs PPIs increased strongly in the March quarter, by 1.2% and 1.5% (sa) respectively. In the March 2016 quarter PPIs fell, meaning that now that quarter has dropped out of the year, annual price increases have lifted to 4.1% for the outputs PPI and 4.2% for the inputs PPI. These are far stronger increases over the year than CPI inflation which was 2.2%, and only as high as that

because of temporary factors like unseasonably high food prices.

...and margins improve in dairy and construction

The fact that the inputs and outputs PPIs increased by broadly the same amount means margins across all industries combined were flat. However, margins in two key sectors, dairy and construction, continued to improve. For dairy, the outputs PPI was up 49.2% from last year, and the inputs PPI was down 1.4%. For construction, the outputs PPI was up 3.7% for the year and the inputs PPI up 2.7%. The ratio of output to input PPIs in the building construction component is now higher than pre-GFC levels. While there are other factors impacting an increase in construction, like funding costs and the availability of land, this is a positive sign that incentives are there.

The capital goods price index rose 0.6% (sa) in the March quarter to be up 3.3% for the year. Unsurprisingly, construction drove this increase, with residential buildings and non-residential buildings up 6.0% and 5.4% respectively for the year. Plant, machinery and equipment, and transport equipment fell slightly.

Food prices fall

Food prices fell 0.2% (sa) in the April month, with soft drink and confectionary down over 3% (sa) but fruit and vegetables up 4.2% (sa). Food prices were still up 0.2% compared to April 2016. This is the second month of retracement in food prices, after strong increases in the January and February months contributed to annual CPI inflation reaching 2.2% in March 2017. Annual CPI inflation is expected to fall below 2% in 2018 as the temporary food price (and fuel) increases drop out.

Business sentiment is overall positive...

Despite strong growth in visitor arrivals, the BNZ-BusinessNZ Performance of Service Index (PSI) for April was down 6 points from March to be 52.8. While a score above 50 still indicates expansion in the service sector, this was its lowest level since 2012. The manufacturing survey (PMI) also dropped, down 1.2 points to 56.8, but was still the second highest value since September 2016 and partially offsets the impact on confidence from the fall in the PSI.

The May ANZ business confidence index showed a net 15% of business are optimistic about the year ahead, up 4% from last month. Residential construction intentions rose 12% to 45% reaching a 10 month high. This adds to expectations of a pick-up in consents. Inflation expectations rose to 2% for the first time since 2014.

...and the Reserve Bank expects interest rates to remain low for a considerable period

As expected, the Reserve Bank held the Official Cash Rate (OCR) at 1.75%. However, the market was surprised that the RBNZ kept the same OCR forecast as the February MPS, which does not see an increase until the end of 2019. The Bank's Monetary Policy Statement was released prior to the Government's Budget announcements.

Macron wins in France, while the US dollar falls

The month began with the second round of the French election. As most polls and commentators had anticipated, Emmanuel Macron defeated anti-EU candidate Marine Le Pen. The result brought some relief to markets, though most of the effect had been priced in after the first round of the election.

In the US a number of controversial political stories moved markets to a risk-off stance. The market reaction reflects a growing uncertainty with the ability of the Trump administration to pass its pro-growth agenda. The USD has continued to fall over the month, and is near lows last seen prior to the US election in November.

US Fed on hold for now but robust data point to future rate rises...

US GDP figures for the March quarter initially fell short of market expectations. Flash estimates showed that annual GDP growth eased slightly to 1.9% in the March quarter from 2.0% in the final quarter of 2016. However, by the end of the month this number had been revised up to 2.0%, flat from the previous quarter.

The US Federal Reserve kept rates on hold as widely expected. The committee said they were looking through the (initially) weak GDP figure, putting it down to temporary factors. The minutes from the May meeting showed that most members agreed that if economic data continued to meet expectations, then a further interest rate increase would be appropriate in the near future.

US labour market data showed strong jobs growth and a fall in unemployment. The non-farm payroll report for April showed jobs growth was slightly higher than expected at 211,000 and much higher than the 79,000 in March. Labour market participation fell slightly to 62.9 from 63.0 in March. The net effect of these changes saw the unemployment rate continue its steady decline, falling to 4.4% from 4.5% in March. Price and wage pressures eased. Average hourly earnings rose 0.3% in April, with annual growth falling slightly from 2.7% in March to 2.5% in April. Annual CPI inflation fell to 2.2% in April, down from 2.4% in

March. Core inflation fell to 1.9%, down from 2.0% in March.

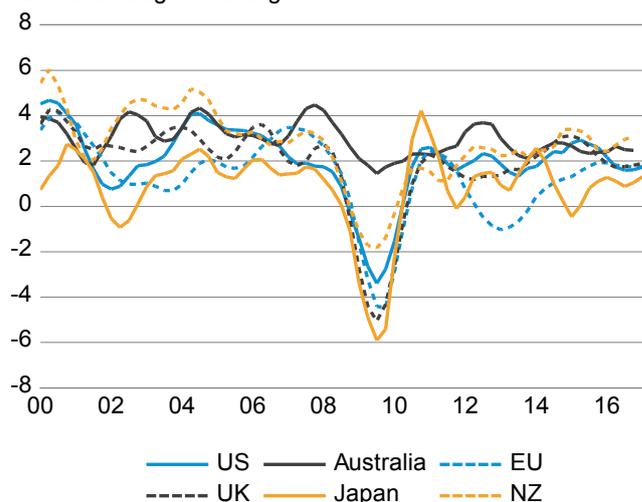
With real wage growth, a tightening labour market, inflation around target, and an upwardly revised GDP, it seems likely that the Fed will continue to move forward with their plan for two interest rate rises this year. Markets currently have priced in an approximate 80% chance of an increase in June.

...GDP growth disappoints in the UK...

Annual GDP growth rose from 1.9% in the December quarter to 2.0% in March, below expectations. Private consumption growth was softer, growing just 0.3% in the quarter compared to 0.7% and 0.8% in the previous two quarters. The Bank of England left rates on hold, with an unchanged 7-1 vote in favour of keeping rates on hold, surprising some analysts, who had expected more support for a rate rise. Annual industrial production growth in the UK disappointed for March at 1.4%, down from 2.5% in February.

Figure 7: World GDP

Annual average % change



Source: Haver

Employment data showed jobs growth in the UK was strong in the first quarter of 2017 with employment increasing 122,000. This pushed the unemployment rate down to 4.6%, its lowest level in 40 years, from 4.8% at the end of 2016. Annual wage growth (ex-bonuses) fell to 2.1% from 2.2% in the fourth quarter of 2016. CPI inflation increased in the year to April, rising to 2.7%, up from 2.3% in March, the highest inflation reading the UK has had since 2013. The strong inflation means that wages are falling in real terms.

Meanwhile, tensions continue to rise between the UK and the EU. The EU released its guidelines for Brexit, with a number of clauses causing disquiet in the UK. In particular, the EU has revised up the 'bill for Brexit' from €60bn to €100bn. UK Prime Minister

Theresa May responded, accusing the EU of attempting to influence the result of the UK election on June 8th. The Conservative party hopes to secure a stronger majority following the election, in order to improve the Brexit negotiating position of the UK. However, recent polling suggests the gap between the Government and the Opposition is quickly closing. Some analysts have noted that the value of the sterling has reflected the performance of the Conservative party in recent polling, suggesting markets also expect the result to impact the negotiating position of the UK in Brexit discussions.

...ECB plays down expectations of a change in stance following mixed data

Annual GDP growth for the Euro area fell slightly from 1.8% at the end of 2016 to 1.7% in the March quarter. Annual CPI inflation came in higher than expected, rising to 1.9% in April from 1.5% in March. Senior officials in the European Central Bank (ECB) continue to talk down the growing market expectations of a change in stance. In particular, ECB president Mario Draghi said “There is no reason to deviate from the indications we have been consistently providing in the introductory statement to our press conference”. He also highlighted that inflationary pressures remain weak despite improvements in real activity. The ECB next meets in early June, many analysts are expecting that the bank’s forward guidance, which indicates rates could still be lowered further, may be removed.

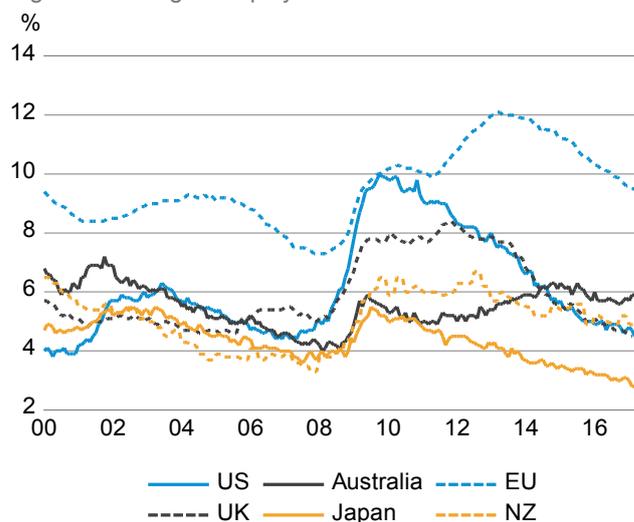
Australia keeps its AAA rating following a forecast budget surplus

The Australian Federal Budget was released in May. The Australian Government is forecast to achieve a cash surplus in 2020/21 with net debt peaking two years earlier at 19.8% of GDP. Of particular interest for the market was confirmation of a previously leaked announcement that a new levy would be applied to banks with more than \$1 billion in liabilities. The levy is forecast to raise just over six billion dollars in revenue over four years. Following the release, Standard & Poor’s confirmed Australia’s AAA rating, however they noted that they believed additional measures, over and above those announced, will be required to achieve the forecast surplus in 2020/21.

The RBA remained on hold again during May, in line with market pricing. The accompanying statement again highlighted the risks from rising house prices and acknowledged the return of inflation to the target range.

Jobs growth in Australia was stronger than expected, growing by 37,400 in April, though this was weaker than the very strong 60,000 rise in March. This drove a fall in the unemployment rate from 5.9% in March to 5.7% in April. Wage pressures in the March quarter remained subdued with year-on-year growth of 1.9%, unchanged from the previous quarter. The continued weakness in wage growth supports the market view that any change to monetary policy settings is unlikely for at least a year, and possibly closer to two.

Figure 8: Falling unemployment across the world



Source: Haver

Japan builds momentum

Japan’s economy performed better than expected according to GDP data. GDP grew 0.5% in the quarter, causing a slight decline in full year growth to 1.6%, down from 1.7% at the end of 2016. Despite the slight weakening in full year growth the result was an upside surprise, mostly driven by stronger business investment. This is the first time in more than 10 years that Japan’s economy has grown for more than four consecutive quarters.

Weak data in China and a credit rating downgrade

Annual CPI inflation rose in China in April to 1.2%, up from 0.9% in March. Core inflation (excluding food and energy) edged up to 2.1% from 2.0% in March. Other headline data from China for April fell short of market expectations following strong data in March. Annual industrial production grew 6.5% in April, down from 7.6% in March. Annual retail spending growth fell to 10.7% in April from 10.9% in March. Fixed asset investment (FAI) grew 8.9% in the year to April down from 9.2% in March. Retail spending growth remains above the Government’s official target of 10% for

2017, while FAI slipped just below the target of 9% for 2017. The slowdown in all three indicators suggests that the strength observed in the Chinese economy at the start of 2017 has not been maintained into the June quarter.

Moody's reduced China's credit rating to A1 from Aa3, bringing it into alignment with Fitch which has had an equivalent A+ rating since 2007. Moody's cited likely falls in potential growth in the near future and rising debt levels as justification for the cut. There was some impact in commodities markets, particularly to metals, with iron ore falling.

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

		2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg ¹	1.0	1.0	0.7	0.8	0.8	0.4	...
	ann ave % chg	3.1	2.5	2.4	2.7	2.9	3.1	...
Real private consumption	qtr % chg ¹	0.6	1.4	0.4	2.1	1.4	0.4	...
	ann ave % chg	2.8	2.9	2.8	3.2	4.0	4.3	...
Real public consumption	qtr % chg ¹	-0.4	-0.1	1.2	0.1	1.2	1.1	...
	ann ave % chg	2.8	2.6	2.7	1.9	1.9	2.3	...
Real residential investment	qtr % chg ¹	2.6	1.5	4.4	5.1	0.6	0.1	...
	ann ave % chg	3.2	2.0	2.8	6.3	9.0	11.0	...
Real non-residential investment	qtr % chg ¹	2.9	-2.5	1.8	1.1	0.7	1.8	...
	ann ave % chg	4.3	2.2	2.4	2.4	1.9	3.4	...
Export volumes	qtr % chg ¹	2.2	0.1	-0.6	3.5	-1.1	-3.8	...
	ann ave % chg	7.6	6.8	5.5	4.9	3.1	1.6	...
Import volumes	qtr % chg ¹	-2.1	0.8	0.7	2.9	1.7	1.9	...
	ann ave % chg	5.6	3.6	2.1	1.3	2.4	4.2	...
Nominal GDP - expenditure basis	ann ave % chg	2.8	3.3	4.0	4.1	4.5	5.6	...
Real GDP per capita	ann ave % chg	1.2	0.6	0.4	0.6	0.9	0.9	...
Real Gross National Disposable Income	ann ave % chg	1.5	1.4	1.9	2.5	3.1	4.1	...
External Trade								
Current account balance (annual)	NZ\$ millions	-8,529	-8,321	-7,821	-7,371	-7,618	-7,112	...
	% of GDP	-3.5	-3.4	-3.1	-2.9	-3.0	-2.7	...
Investment income balance (annual)	NZ\$ millions	-9,581	-9,207	-8,752	-8,337	-8,221	-7,911	...
Merchandise terms of trade	qtr % chg	-3.8	-2.0	4.2	-2.0	-1.1	5.7	5.1
	ann % chg	-3.6	-3.2	-0.4	-3.8	-1.1	6.7	7.7
Prices								
CPI inflation	qtr % chg	0.3	-0.5	0.2	0.4	0.3	0.4	1.0
	ann % chg	0.4	0.1	0.4	0.4	0.4	1.3	2.2
Tradable inflation	ann % chg	-1.2	-2.1	-1.2	-1.5	-2.1	-0.1	1.6
Non-tradable inflation	ann % chg	1.5	1.8	1.6	1.8	2.4	2.4	2.5
GDP deflator	ann % chg	0.7	0.3	0.9	0.1	1.2	3.9	...
Consumption deflator	ann % chg	1.1	0.7	0.8	0.7	-0.1	0.6	...
Labour Market								
Employment (HLFS)	qtr % chg ¹	-0.3	1.1	1.2	2.3	1.4	0.7	1.2
	ann % chg ¹	1.5	1.4	2.0	4.4	6.1	5.8	5.7
Unemployment rate	% ¹	5.6	4.9	5.2	5.0	4.9	5.2	4.9
Participation rate	% ¹	68.3	68.2	68.8	69.7	70.1	70.5	70.6
LCI salary & wage rates - total (adjusted) ⁵	qtr % chg	0.4	0.4	0.4	0.4	0.5	0.4	0.4
	ann % chg	1.6	1.5	1.6	1.5	1.7	1.6	1.6
QES average hourly earnings - total ⁵	qtr % chg	1.0	0.3	0.3	0.5	0.5	-0.1	0.5
	ann % chg	2.3	2.1	2.4	2.1	1.7	1.3	1.5
Labour productivity ⁶	ann ave % chg	0.8	0.5	0.8	-0.2	-1.2	-2.2	...
Retail Sales								
Core retail sales volume	qtr % chg ¹	1.3	1.5	0.8	2.5	0.2	0.7	1.2
	ann % chg	5.2	5.2	4.8	6.4	5.0	3.8	3.8
Total retail sales volume	qtr % chg ¹	1.6	1.3	0.8	2.2	0.7	0.9	1.5
	ann % chg	5.7	5.3	4.9	6.0	5.1	3.9	4.6
Confidence Indicators/Surveys								
WMM - consumer confidence ³	Index	106	111	110	106	108	113	112
QSBO - general business situation ⁴	net %	-14.5	14.7	1.7	18.6	25.7	28.3	17.1
QSBO - own activity outlook ⁴	net %	21.7	21.6	3.8	16.8	39.2	27.0	20.6

Monthly Indicators

		2016M11	2016M12	2017M01	2017M02	2017M03	2017M04	2017M05
External Sector								
Merchandise trade - exports	mth % chg ¹	-11.5	9.4	1.7	-3.1	-3.1	18.1	...
	ann % chg ¹	-5.0	-0.2	1.0	-5.6	9.6	9.8	...
Merchandise trade - imports	mth % chg ¹	-8.3	3.9	3.7	0.8	-3.7	6.2	...
	ann % chg ¹	-5.6	-1.1	7.2	4.8	7.9	4.9	...
Merchandise trade balance (12 month total)	NZ\$ million	-3175	-3134	-3373	-3798	-3710	-3481	...
Visitor arrivals	number ¹	304,970	300,520	305,970	300,580	306,420	317,200	...
Visitor departures	number ¹	301,830	312,400	301,270	302,370	306,300	314,440	...
Housing								
Dwelling consents - residential	mth % chg ¹	-8.4	-8.4	4.1	15.4	-1.2	-7.6	...
	ann % chg ¹	6.1	-13.1	3.4	1.6	20.0	-10.8	...
House sales - dwellings	mth % chg ¹	4.0	-1.9	-6.1	1.1 ...	...	...	...
	ann % chg ¹	-5.9	-10.7	-14.7	-14.2 ...	...	...	...
REINZ - house price index	mth % chg	0.8	0.3	-0.9	0.4 ...	...	...	...
	ann % chg	14.9	13.5	11.7	10.5 ...	...	...	...
Private Consumption								
Electronic card transactions - total retail	mth % chg ¹	0.0	0.1	2.6	-0.6	-0.3	1.1	...
	ann % chg	5.1	5.8	5.6	2.6	5.6	4.5	...
New car registrations	mth % chg ¹	-0.9	-1.8	1.6	0.4	3.2	-2.6	...
	ann % chg	13.3	7.8	12.2	7.3	16.5	3.0	...
Migration								
Permanent & long-term arrivals	number ¹	10,990	10,890	11,290	11,020	10,800	10,890	...
Permanent & long-term departures	number ¹	4,830	4,930	4,930	5,080	4,670	5,110	...
Net PLT migration (12 month total)	number	70,354	70,588	71,305	71,333	71,932	71,885	...
Commodity Prices								
Brent oil price	US\$/Barrel	44.73	53.22	54.58	54.87	51.59	52.31	50.35
WTI oil price	US\$/Barrel	45.73	52.06	52.56	53.46	49.48	51.08	48.53
ANZ NZ commodity price index	mth % chg	3.2	2.0	-1.1	0.6	3.4	0.5	...
	ann % chg	3.0	9.4	8.6	9.2	16.5	20.4	...
ANZ world commodity price index	mth % chg	3.2	0.7	-0.1	2.0	0.4	-0.2	...
	ann % chg	13.6	16.5	19.1	20.9	23.0	23.7	...
Financial Markets								
NZD/USD	\$ ²	0.7153	0.7049	0.7126	0.7220	0.7009	0.6975	0.6937
NZD/AUD	\$ ²	0.9489	0.9579	0.9547	0.9428	0.9197	0.9259	0.9334
Trade weighted index (TWI)	June 1979 = 100 ²	77.93	78.12	78.55	78.78	76.54	76.01	75.50
Official cash rate (OCR)	%	1.75	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill rate	% ²	2.07	2.03	1.98	2.02	1.98	1.97	1.98
10 year govt bond rate	% ²	2.99	3.33	3.23	3.29	3.28	3.05	2.93
Confidence Indicators/Surveys								
ANZ - business confidence	net %	20.5	21.7	...	16.6	11.3	11.0	14.9
ANZ - activity outlook	net %	37.6	39.6	...	37.2	38.8	37.7	38.3
ANZ-Roy Morgan - consumer confidence	net %	127.2	124.5	128.7	127.4	125.2	121.7	123.9
Performance of Manufacturing Index	Index	54.4	54.5	53.2	55.7	58.0	56.8	...
Performance of Services Index	Index	58.5	58.5	59.3	58.6	58.8	52.8	...
qtr % chg	quarterly percent change			¹ Seasonally adjusted				
mth % chg	monthly percent change			² Average (11am)				
ann % chg	annual percent change			³ Westpac McDermott Miller				
ann ave % chg	annual average percent change			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