Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

October 2011

Executive Summary

- **Activity indicators point to growth picking up in the second half of 2011, consistent with Treasury's PREFU forecasts**
- **High headline CPI inflation eases and underlying inflation more subdued**
- **Financial markets focus on European debt crisis developments, with progress made towards an orderly resolution**
- **Treasury's PREFU is close to the average of other forecasts**

Activity indicators in business surveys suggest that economic growth will pick up in the September and December quarters of 2011, following on from modest but stronger than-expected-growth over the first half of 2011. These indicators have generally fallen back recently, but are consistent with growth at or above average levels and have reinforced our Pre-election (PREFU) forecasts of an expected 0.9% growth in both the September and December quarters.

The anticipated pickup in quarterly growth would take the annual average rate from 1.5% in the June quarter 2011 to 2.8% in the June quarter 2012. Growth then rises to 3.4% in the June quarter 2013 as the Canterbury earthquake rebuild gathers momentum. We have pushed back our estimate of when the rebuild will substantially begin from the first to the second half of 2012, which is supported by the latest business surveys. Economic conditions in Canterbury are beginning to return towards normality and the rebuild dominates the regional economic outlook.

Other forecasters expect a similar growth profile to our PREFU forecasts. This month's Special Topic compares Treasury's latest forecasts with other forecasters.

Indicators of the effect that the Rugby World Cup (RWC) has had on spending are mixed at this stage. Despite electronic card transactions not showing an expected RWC boost in September, we still expect the RWC to boost GDP growth by 0.3% points. This expectation is backed by an estimated 80,000 visitors having arrived for the RWC by September, foreign spending being picked up in Paymark and credit card data, and ticket sales reaching their $268.5 million target.

Annual headline inflation eased from 5.3% in the June quarter to 4.6%, as the September quarter outturn came in below the market's and our expectations. There were surprising falls in communications, electricity and travel prices in the quarter. The annual inflation figure is still boosted by the 1 October 2010 GST rate rise from 12.5% to 15% and if items were still taxed at 12.5%, annual inflation would have been 2.5%. Taking into account the GST rate rise and other one-off factors results in underlying inflation around the middle of the Reserve Bank's 1-3% target band.

Global data releases were mixed during October and markets instead focused on debt crisis developments in Europe. A recession in the US looks less likely and Chinese data have supported the expectations of the positive impact the country will have on New Zealand. Progress has been made towards an orderly resolution of European debt problems, with an initial agreement to recapitalise banks, increase the bailout fund and take 50% haircuts on Greek debt. Recent global volatility has had a limited impact on New Zealand so far and the latest improvement in sentiment on hopes of European debt resolution has been positive for financial markets.

New Zealand Government

Analysis

Growth likely to pick up in second half of 2011

Following on from modest, but stronger-than-expected, growth in the first half of 2011, activity indicators suggest growth will pick up in the second half of the year. This is consistent with our Pre-election (PREFU) forecasts, which have annual average growth rising to 2.1% in the December quarter from the June quarter value of 1.5%. The pickup in growth is likely to occur despite expected ongoing global volatility and falling domestic confidence.

Activity indicators hold up...

Indicators of growth have held up well, pointing to a pickup in economic momentum in the second half of the year. The Quarterly Survey of Business Opinion (QSBO) showed that domestic trading activity held up well, with experienced activity being fairly flat in the September quarter. The sub-indices were fairly mixed, with an improvement in profitability, but falls in investment intentions and expectations of future interest rate increases. A more up-to-date reading was the October National Bank Business Outlook (NBBO) which showed own activity outlook was down 9% points, but it is at its historical average, suggesting a rise from recent modest growth (Figure 1).

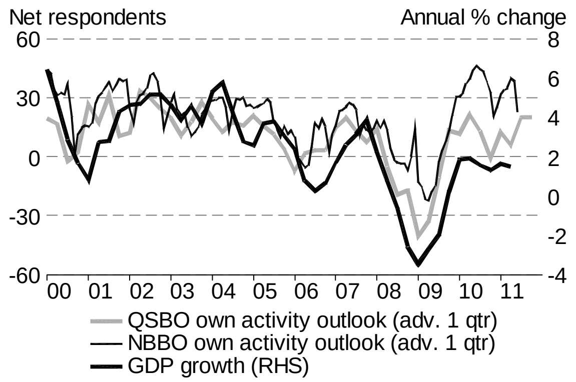
Conditions are rebounding in Canterbury following the earthquakes; a rise in Canterbury's QSBO activity measure was the main reason why the economy-wide measure held up so well. Profitability and capacity utilisation also increased in the QSBO in the region, suggesting business is starting to get back towards normality. The rebuild is a major driver of expectations, with building and plant investment intentions much higher in Canterbury than the rest of the country. Canterbury hiring intentions, led by record highs for builders, also outstrip the national value. The earthquakes have contributed to annual net migration falling to a 10-year low of a net inflow of 800 people to New Zealand. Since the 22 February earthquake there have been 5,500 permanent and long term departures from Christchurch compared to 3,300 a year earlier. Arrivals are down 900 over the same period when compared to 2010. Christchurch's population fell 8,900 (2.4%) in the year to June 2011 compared to an average 1.0% increase in the last four years. Canterbury's population fell a lesser 5,000 (0.9%), showing many people who left Christchurch stayed in the Canterbury region.

The BNZ-BusinessNZ Performance of Manufacturing Index and Performance of Services Index both eased slightly in September, but remain in expansionary territory. Both indices have been in expansion over the whole of the September quarter, suggesting positive contributions from those industries to September quarter GDP. Canterbury is outperforming the rest of the country in both indices despite the earthquakes, showing how resilient the region's economy has been.

...meaning growth likely to pick up...

The QSBO and NBBO activity indices are fairly good indicators of economic growth (Figure 1).

Figure 1 – Own activity and GDP



Sources: Statistics New Zealand, NZIER, National Bank

The combination of the activity indicators suggests that growth will gather momentum in coming quarters and has reinforced our PREFU forecasts for the rest of 2011. The PREFU forecasts have 0.9% growth in both the September and December quarters. The Maui Pipeline leak north of Taranaki, which has cut off gas supplies to parts of the upper North Island, may have a negative impact on December quarter GDP as business output has been disrupted. The overall impact will depend on how fast gas supply can be restored. The PREFU forecasts have annual average growth increasing from 1.5% in the June quarter 2011 to 2.8% in the June quarter 2012. Growth then rises to 3.4% in the June quarter 2013 as the Canterbury rebuild gathers momentum. In PREFU, we pushed back our assumption of when the rebuild will begin in earnest from the first to the second half of 2012. This fits with the business confidence surveys where investment and construction intentions fell back slightly from high levels.

...despite confidence falling back

Confidence consolidated after a mid-year rebound. In the QSBO business confidence fell 18% points, to 13%, following a post-earthquake rebound in confidence in the June quarter. The NBBO, unlike the QSBO, was surveyed after New Zealand's credit rating downgrades and most of the deterioration of the global outlook. The NBBO showed a 17% point fall in business confidence for the month, with all five sectors surveyed showing lower sentiment.

ANZ-Roy Morgan consumer confidence held up, only recording a small drop in both current and future conditions. However, consumer confidence remains at a level below its historical average.

While confidence remains positive on all measures (ie, optimists outweigh pessimists), the falls in the level of sentiment show respondents believe the economic outlook is deteriorating. This is not surprising given ongoing volatility in global economic and financial conditions. However, these confidence measures are less reliable indicators of economic growth than activity indicators in business surveys, so less weight should be placed on them.

Large World Cup spending boost still to show up in data...

Despite some weak spending indicators, we still expect the Rugby World Cup (RWC) to provide a boost to the economy. Electronic Card Transactions (ECT) did not receive the RWC boost that was expected, with total values only rising 0.2% in September to be up 6.5% for the year. The market was anticipating a 1.1% monthly rise. However, ECT does not cover large parts of tourist spending associated with the RWC; a higher portion of tourist spending is made using cash compared to locals. Accommodation and tickets booked in advance will have shown up in ECT when they were purchased but will show up in private consumption when the services are consumed (ie, in the September and December quarters). These factors mean there will likely be a larger-than-usual discrepancy between ECT and private consumption in the September and December quarters.

Some effect from RWC spending has been picked up in data. Figures from Paymark show that foreign electronic card spending for the period of the RWC is up $70 million (36.5%) on the same period last year. In September, foreign credit card spending in New Zealand rose $53 million (23.7%), partly offset by domestic spending being down $12 million (0.5%). Also, ticket sales have passed the $268.5 million (about 0.5% of quarterly nominal GDP) target set by Rugby NZ 2011. In ECT, hospitality spending did increase 1.2%, likely picking up some RWC impact. Another factor impacting on spending in September would be the school holidays shifting into September, likely taking some spending with them.

Despite the fact that ECT will not pick up all of the RWC impact, the weaker-than-expected result provides a slight downside risk to our September quarter real private consumption forecast in PREFU of 0.8%, up from 0.3% in the June quarter. The monthly rise in ECT values was driven by the largest increase in fuel spending since last October's GST rate rise, while core retail spending rose 0.6%. The trend of core retail spending continues to increase, but at a slowing rate. This suggests households remain cautious in their spending decisions, shown by consumer confidence being below historical averages.

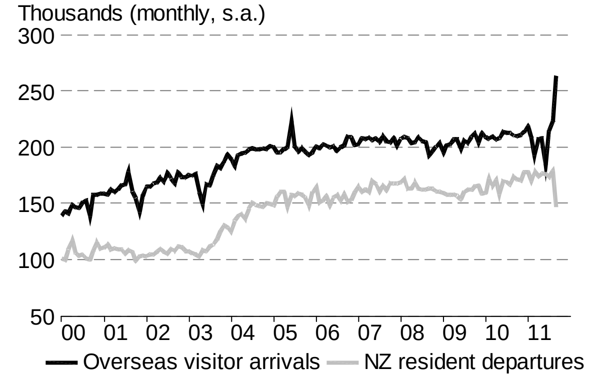
...and it may be displacing other activity...

A number of respondents in the monthly BNZ confidence survey cited the RWC as having a depressing impact on business activity as it is providing a distraction. Also, negative comments from service firms about the RWC outweighed positive comments in the PSI survey by a ratio of two-to-one. This may be due to non-RWC tourism and business travel being stymied as the result of high airfare and accommodation costs. Also, the distraction of the RWC may be delaying other business decisions.

...but international tourism has had a large boost

Since July, an estimated 80,000 visitors have arrived in the country for the RWC, with 74,400 of them coming in September. Australian residents led the way with 28,700 here for the RWC, followed by 12,800 from the UK and 8,300 from France. Those here for the RWC boosted overall visitor arrivals such that September numbers were 45,800 (26%) higher than the previous year (Figure 2). The aggregate figure demonstrates the displacement effect of the RWC, with some tourists who would have otherwise come here being put off by the RWC. The RWC also resulted in fewer overseas trips by New Zealanders, down 42,600 (20%) in September from 2010. School holidays were moved from September to October to accommodate the RWC and this may have affected the cost, availability and motivation for international travel.

Figure 2 – Overseas visitor arrivals and departures



Source: Statistics New Zealand

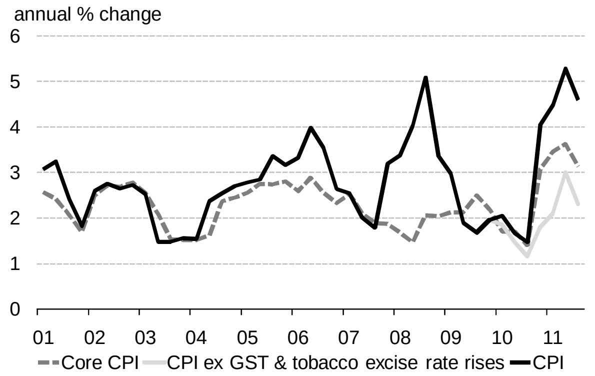
We had expected that the RWC would provide only a minor boost to growth, of a combined 0.3% points over the September and December quarters. The majority of the GDP impact will be in the December quarter as Statistics NZ picks up visitor spending when tourists leave the country. Overseas visitor arrivals are likely to exceed the anticipated levels of 95,000 and resident departures are also down, which will provide a large boost to net services exports. This, along with ticket sales reaching their target and visitor spending showing in some statistics, mean we have no reason to change our estimate of the RWC impact at this stage. We had foreseen that regular indicators such as ECT would not fully pick up the full RWC impact and that there would be some displacement of other activity.

High headline CPI inflation eases...

The Consumers Price Index (CPI) rose 0.4% in the September quarter, which was below our PREFU forecast (0.8%) and the market's expectations (0.7%). The result was surprising and differed from our PREFU forecast due to a less-than-expected increase in alcohol retail prices, as well as lower communication and travel prices. Large increases in food prices and the annual increase in local authority rates were the main contributors to the quarterly rise.

The result meant that annual inflation fell from 5.3% in the June 2011 quarter to 4.6% (Figure 3). The annual figure is still boosted by the 1 October 2010 GST rate increase from 12.5% to 15%. Inflation would have been 2.5% had items subject to GST been taxed at 12.5% rather than 15%. Also, the annual rate includes the effects of large increases in international commodity prices and other government-related charges. Food prices are up 6.2% for the year and petrol prices have risen 17.7%, due to earlier rises in food and oil prices globally over the past year. The result also includes a one-off 10% increase in tobacco excises which contributed 0.2% points to inflation.

Figure 3 – Headline and underlying inflation



Sources: Statistics New Zealand, the Treasury

...but underlying inflation contained

Some countries report a core inflation measure to give an idea of underlying inflation in the domestic economy. An equivalent of this in New Zealand would be the CPI excluding food, energy and vehicle fuels (core CPI), which increased 3.1% for the year (Figure 3). A measure that the Reserve Bank uses to asses underlying inflation is their sectorial factor model which rose 2.2% for the year. Other measures of core inflation, including weighted median and trimmed means (which strip out items with large increases and decreases) show inflation around 4.0%. Taking into account the one-off impacts of the GST and tobacco excise rate rises on headline and core inflation, it appears that underlying inflation is around the middle of the Reserve Bank's 1-3% target band.

PREFU inflation forecasts still hold...

The lower-than-expected outturn means that near-term inflation will likely be slightly lower than forecast. However, there is expected to be some catch-up in the December quarter with some of the lower inflation timing-related. Alcohol retailers may pass on some of September's expected increase in the December quarter. Package holidays and international airfares, which did not show their usual seasonal September quarter increase, should have a larger-than-usual seasonal rise in the December quarter.

We still expect that December quarter annual inflation will be around top of the Reserve Bank's target 1-3% band, as the GST rate rise drops out of the calculation. As the effect of large international commodity price increases drop out of the reference period, inflation should fall towards the middle of the band in mid-2012. Business surveys also suggest that inflation will moderate with expected cost and price increases in the QSBO both falling in September.

...with pressures over the medium term

Rebuilding in Canterbury as a result of the earthquakes, expected to begin in the second half 2012, will put pressure on spare capacity in the economy, especially in the construction industry. This was shown in the QSBO with construction pushing up the economy-wide expected inflation measures. Also, inflation expectations are currently elevated, with multiple surveys showing expectations around 3%. Anticipated increases in economic growth suggest that the output gap will steadily close.

CPI shows changing consumption patterns

September quarter inflation was calculated using updated weights for household spending. The expenditure weights are based on the 2009/10 Household Economic Survey (HES), while the previous weights were for June 2008 and based on the 2006/07 HES. Household expenditure rose from $80.98 billion to $88.92 billion, made up of a 9.0% increase in prices and a 0.6% increase in volumes. Increases in weights occurred for food as well as the housing and household utilities group. Falls in weights were seen in transport as well as the household contents and services group (Table 1). The changing weights occurred partly due to increases in the prices of essential goods and services, which has resulted in higher expenditure on these items at the expense of discretionary items.

Table 1 – CPI expenditure weights (%)

Group	June 2008 quarter	June 2011 quarter
Food	17.8	18.8
Alcoholic Beverages and Tobacco	6.8	6.9
Clothing and Footwear	4.5	4.4
Housing and Household Utilities	22.8	23.6
Household Contents and Services	5.3	4.4
Health	5.1	5.4
Transport	16.2	15.1
Communications	3.2	3.5
Recreation and Culture	9.5	9.1
Education	1.8	1.8
Miscellaneous Goods and Services	7.1	6.9
All Groups	**100.0**	**100.0**

Source: Statistics New Zealand

Global data still mixed…

In the global economy, overall data releases were mixed during October, with US and Chinese data having an improved tone, but data from Europe worsening. However, data has taken a back seat, with the focus remaining on euro area developments, with headlines and rumours driving markets, especially at the end of the month.

…but US double-dip recession looking less likely

Data out of the US during October have caused many analysts to see a double-dip recession as less likely. The first estimate of September quarter GDP showed activity rising 0.6% from the June quarter. Non-farm payrolls came in above expectations, rising 103,000, although the unemployment rate remained unchanged at 9.1%.

Retail sales grew strongly in September, in contrast to recent consumer confidence outturns. Production indicators are starting to look more positive; regional PMIs have rebounded, and the main manufacturing indicator rose in September. Hurricane-affected industrial production (IP) rose a relatively subdued 0.2% in September; a rebound is expected to occur in October.

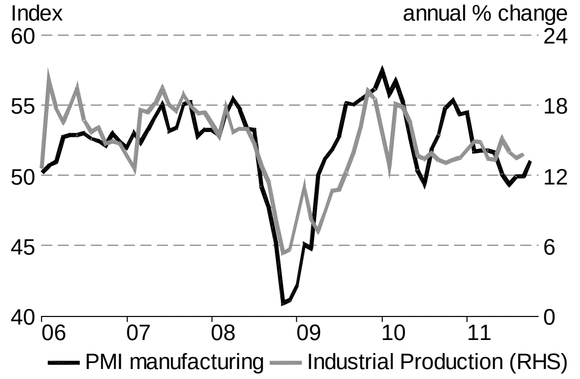
Although these indicators are positive, other factors have remained weak. The housing market has shown little sign of recovery, and confidence remains low.

China still driving world growth

Chinese GDP rose 9.1% in the September quarter from a year ago. Even though this was slightly less than expected, slowing growth was seen by many analysts as a positive development as it should help ease inflationary pressures, reducing the risk of a "hard landing". Export growth moderated somewhat, almost solely from reduced demand from Europe, a major export market.

Other indicators are still relatively strong. Retail sales were higher than the previous month, growing 17.7% (apc); increasing consumption as a percentage of GDP is a key aim for Chinese authorities. Annual industrial production growth increased from the previous month, with the manufacturing PMI having recovered recently (Figure 4).

Figure 4: Chinese manufacturing PMI and IP



Source: Datastream

Sovereign debt crisis meetings bring some resolution

Several positive steps were made during October towards a resolution in the sovereign debt crisis. Early in October all member states passed the new powers for the European Financial Stability Facility (EFSF), an important step.

Meetings took place towards the end of the month in an attempt to develop a comprehensive plan to address the crisis. A plan was agreed on by the major players, but some of the details remain sketchy at this stage. The main aspects of the plan include a recapitalisation of euro area banks by mid-2012, a "voluntary" 50% private sector haircut on Greek debt, and a leveraged EFSF (to around €1 trillion) to help shore up other members' debt. Details around how the EFSF will be leveraged are yet to be decided, but some form of "insurance" on government debt is probable. There are still questions around the private sector involvement, and how banks can take a 50% haircut without triggering a credit default. These developments are consistent with the main case identified in PREFU, where an orderly resolution is expected; time will tell how effective this plan is.

Euro area data continue to point to weakness, with PMIs falling further below 50, and issues with a Belgian bank requiring a bailout.

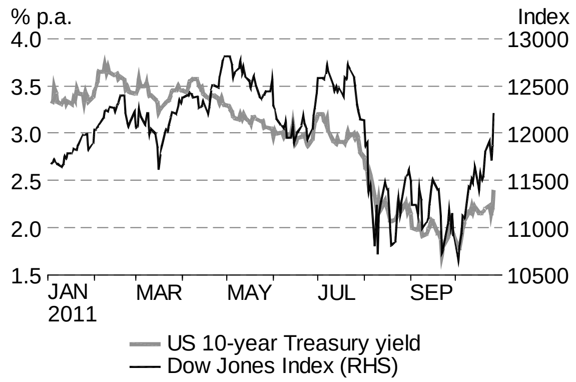
Second round of quantitative easing introduced in the UK

Concerns around weakening growth returned in the UK, with June quarter GDP revised lower and an increasing unemployment rate. The Bank of England responded to the ailing economy by announcing a second round of quantitative easing. Inflation is still a concern, surging to an annual 5.2% in September. Not all indicators were negative, however, with manufacturing and service PMIs and industrial production rising above market expectations.

Euro area developments continue to cause financial market volatility…

Markets remained focussed on developments on the sovereign debt crisis, with headlines swinging markets. Overall sentiment was more positive, with equities and US 10-year Treasury yields recovering ground lost in September. The end-of-month euro developments saw sentiment surge, causing the Dow Jones index to rise 2.9% in one session (Figure 5), and the DAX 5.3%. This bounce-back may be somewhat overdone, with the market surge after July developments short-lived. Markets are likely to remain volatile.

Figure 5: US 10-year Treasury yields and Dow Jones index



Source: Datastream

…but effects on NZ still limited

Few developments during the month have suggested significant pass-through of the continued euro area issues and slower world growth. In fact, global commodity prices have recovered somewhat; New Zealand dairy prices broke their downward trend with a positive auction during the month, although Fonterra lowered its forecast payout for the season. The NZD rose back up to around US $0.82 following the euro crisis announcement, but remains volatile. The improved risk appetite meant that the absolute impact of New Zealand's recent credit rating downgrade has been contained.

NZ government bonds saw strong demand, with the auction on 20 October selling $900 million, with good bid-to-cover ratios. Bond yields were higher than in September, mainly due to recent global trends, but also some impact from credit downgrades. Despite the recent increase in New Zealand government bond yields, of which we attribute only around 15 basis points to the ratings downgrades, government bond yields are still materially lower than we had incorporated in the Budget Update (BEFU). Also, our government bond yield forecasts in PREFU, made before the credit rating downgrades, remain appropriate. The forecasts have the 10-year bond rate at 4.4% in the December quarter, before gradually increasing to 5.5% by the end of the forecast period. Taking into account the rating downgrade, 10-year rates will likely be around 4.6% in the December quarter, which compares to the BEFU forecast of 5.7%. Lower finance costs are a key factor driving the continued expectation of a return to surplus in 2014/15 shown the PREFU forecasts.

Special Topic: Comparison of Treasury Forecasts

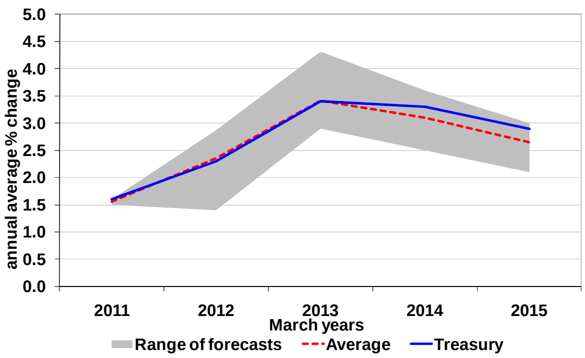
This special topic compares Treasury's *Pre-election Economic and Fiscal Update* (PREFU) forecasts with 13 mostly-local other forecasters. The forecasts discussed in this special topic were finalised between late August and mid October, with PREFU finalised on 26 September; some differences between forecasts can be attributed to timing. The main points are:

- Treasury's growth forecasts are close to the average of other forecasters for most years.
- Key uncertainties identified by other forecasters include the timing of the Canterbury rebuild and the global outlook.
- Treasury's forecasts for most key economic variables are close to the average.

Growth forecast to accelerate…

All forecasters expect GDP growth to accelerate over 2012 and 2013, as the New Zealand economy continues to recover from the GFC and the Canterbury rebuild adds to GDP. However, forecasts for growth vary widely, reflecting the great deal of uncertainty present at this time. The timing of the Canterbury rebuild and the recent deterioration in the global outlook were two key uncertainties identified by forecasters; different assumptions help to explain forecast differences. Treasury's growth forecasts are slightly below the average of other forecasters for 2012 and 2013, and slightly above for 2014 and 2015 (Figure 1).

Figure 1: GDP growth, March years



Sources: The Treasury, other forecasters[1]

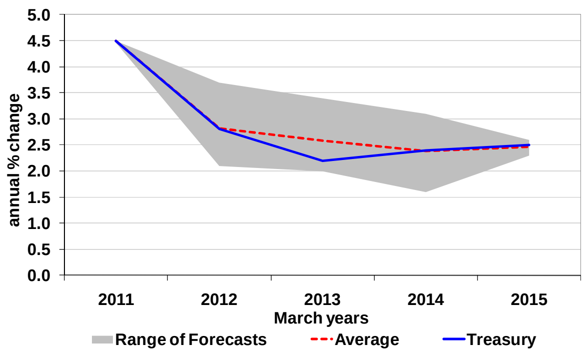
… but global outlook remains key risk

The deteriorating global outlook, one of the key uncertainties, is a key area of contention among forecasters. Sentiment can change quickly, and the effects on the New Zealand economy, while limited thus far, could be significant depending on how events unfold. Treasury's forecasts for trading partner growth (growth weighted by export shares for New Zealand's top 16 trading partners) are overall slightly below the IMF's September *World Economic Outlook* forecasts (although the same for 2012), and very similar to October's *Consensus Economics* forecasts (an average of international forecasters). The risks to the outlook are skewed to the downside, with developments in Europe a major concern. For further details on assumptions made, and Treasury's downside scenario, refer to the PREFU release.

Inflation expected to moderate

Forecasters see annual inflation falling after 2011, as the rise in GST and other government charges fall out of the annual calculation. Annual inflation will not fall as low as it otherwise would, however, due to the impacts of the rebuild on inflation. There are questions surrounding the capacity constraints causing prices, in particular for construction, to rise. This has caused a great deal of uncertainty, with a wide range of inflation forecasts (Figure 2). Treasury's inflation forecast is in line with the average of 2.8% for the 2012 March year, but slightly lower later in 2013.

Figure 2: CPI, March years



Sources: The Treasury, other forecasters

Interest rates to rise, but more slowly than previously expected

Only a few months ago, expectations were for interest rate rises as soon as September, but with the slowdown in the global economy, and turmoil

[1] Other forecasters include: ANZ, ASB, BNZ, BERL, Deutsche Bank, Goldman Sachs/JB Were, IMF, Infometrics, Macquarie, NZIER, RBNZ, UBS and Westpac.

in Europe, expectations were tempered. Forecasters expected rates to rise from around March 2012, with the market pricing in an increase by September 2012. The recent lower-than-expected CPI outturn for the September quarter may lead some analysts to push back rate hikes. Forecasters who finalised earlier tended to have their 90-day interest rate tracks increasing faster. Treasury's 90-day interest rate track is slightly lower than the average, with 3.5% and 4.2% expected at the end of 2012 and 2013 respectively, compared to the averages of 4.0% and 4.6%. This is consistent with Treasury's lower-than-average inflation forecasts in this period.

Unemployment rate expected to fall

All forecasters expect the unemployment rate to decline over the forecast period. Treasury's unemployment rate forecasts are slightly lower than the average for March years, with an end point in 2015 of 4.7%. The Canterbury rebuild is expected to be a strong driver of the fall in unemployment, with the construction sector presently below capacity.

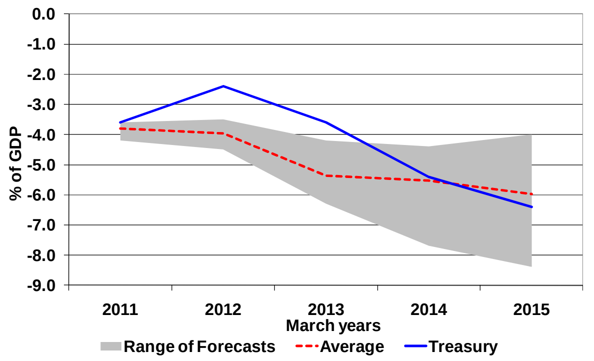
Exchange rate to remain elevated in near-term

Treasury's exchange rate forecasts are close to the average across the forecast period. Global developments have tended to be the main drivers recently, with the NZD hitting record highs against the USD, EUR and GBP, before retreating as global risk aversion returned. The assumption made by Treasury, and most other forecasters, was to hold the TWI relatively constant, before slowly depreciating to a more fundamentally-driven position. This is a change from the Budget forecasts, where the exchange rate was forecast to depreciate more quickly, and to a lower level.

Current account deficit to increase

Forecasts for the current account are difficult to compare due to revisions Statistics New Zealand made to New Zealand's net international investment position (NIIP) on 21 September, and thus the current account. Treasury's current account forecast is significantly different from other forecasters due to revisions in data and a higher terms of trade (Figure 3).

Figure 3: Current account, March years



Sources: The Treasury, other forecasters

Forecasting is always subject to uncertainty and error, especially at present with the global turmoil and uncertainty concerning the Canterbury rebuild. A report released earlier in the year finds that Treasury's forecast performance compares favourably with other similar forecasters of the New Zealand economy, with the Treasury ranking either first or second for forecasts of real GDP growth and CPI inflation over the 2000 to 2010 period, on average, for current-year and one-year-ahead forecasts.

Monthly Economic Indicators is a regular report prepared by the Forecasting and Monitoring team from the Treasury.

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New Zealand Key Economic Data

28 October 2011

Quarterly Indicators

		2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.5	0.2	-0.1	0.6	0.9	0.1	...
	ann ave % chg	-0.7	0.5	1.4	1.6	1.6	1.5	...
Real private consumption	qtr % chg[1]	0.5	0.4	0.4	0.6	0.5	0.3	...
	ann ave % chg	0.3	1.4	1.9	2.2	2.0	1.9	...
Real public consumption	qtr % chg[1]	1.8	1.2	0.1	1.3	0.5	-0.1	...
	ann ave % chg	0.2	1.3	2.2	3.4	3.8	3.2	...
Real residential investment	qtr % chg[1]	-1.8	11.6	-7.4	-6.9	-2.4	-7.2	...
	ann ave % chg	-13.0	-4.3	3.5	2.8	2.3	-6.8	...
Real non-residential investment	qtr % chg[1]	-0.2	4.1	1.2	7.7	-1.2	1.3	...
	ann ave % chg	-8.4	-7.2	-3.9	2.0	6.9	9.6	...
Export volumes	qtr % chg[1]	1.2	0.4	-1.2	2.1	0.8	-0.5	...
	ann ave % chg	4.8	4.9	3.8	2.9	1.9	1.5	...
Import volumes	qtr % chg[1]	2.6	0.7	2.7	6.8	-2.7	1.7	...
	ann ave % chg	-9.4	-1.7	5.7	10.3	10.5	10.3	...
Nominal GDP - expenditure basis	ann ave % chg	1.2	2.1	3.2	5.0	5.7	5.8	...
Real GDP per capita	ann ave % chg	-1.8	-0.8	0.1	0.4	0.5	0.5	...
Real Gross National Disposable Income	ann ave % chg	1.1	1.4	0.9	2.7	2.2	2.8	...
External Trade								
Current account balance (annual)	NZ$ millions	-3587	-4698	-6621	-6787	-7196	-7473	...
	% of GDP	-1.9	-2.5	-3.5	-3.5	-3.6	-3.7	...
Investment income balance (annual)	NZ$ millions	-6999	-8273	-9750	-9538	-9649	-9589	...
Merchandise terms of trade	qtr % chg	6.1	2.0	3.0	0.8	0.8	2.3	...
	ann % chg	0.1	12.7	17.9	12.3	6.7	7.0	...
Prices								
CPI inflation	qtr % chg	0.4	0.2	1.1	2.3	0.8	1.0	0.4
	ann % chg	2.0	1.7	1.5	4.0	4.5	5.3	4.6
Tradable inflation	ann % chg	2.0	1.0	0.3	3.3	3.7	5.5	4.6
Non-tradable inflation	ann % chg	2.1	2.2	2.5	4.6	5.2	5.2	4.5
GDP deflator	ann % chg	0.0	1.8	3.0	5.8	4.4	4.0	...
Consumption deflator	ann % chg	0.8	0.5	0.9	2.7	3.1	3.8	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.7	-0.1	1.0	-0.3	1.3	0.0	...
	ann % chg[1]	-0.1	0.0	1.8	1.3	1.8	2.0	...
Unemployment rate	%[1]	6.1	6.9	6.4	6.7	6.5	6.5	...
Participation rate	%[1]	68.0	68.1	68.2	68.0	68.6	68.4	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.3	0.4	0.5	0.5	0.4	0.5	...
	ann % chg	1.5	1.6	1.6	1.7	1.8	1.9	...
QES average hourly earnings - total[5]	qtr % chg	-0.4	0.7	1.0	0.5	0.4	1.1	...
	ann % chg	1.0	1.0	1.1	1.8	2.6	3.0	...
Labour productivity[6]	ann ave % chg	2.1	2.0	1.3	0.2	-0.4	-0.6	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	0.2	0.6	-0.1	-0.1	1.0	1.0	...
	ann % chg	3.0	2.6	1.5	0.3	1.4	1.9	...
Total retail sales volume	qtr % chg[1]	0.4	0.5	-0.4	-0.5	1.1	0.9	...
	ann % chg	3.2	3.4	1.9	-0.1	0.8	1.1	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	115	119	114	108	98	112	112
QSBO - general business situation[4]	net %	21.9	17.5	6.4	8.1	-26.8	26.6	24.6
QSBO - own activity outlook[4]	net %	-5.2	-4.9	-14.1	-1.3	-4.8	3.0	1.8

Monthly Indicators

		2011M 4	2011M 5	2011M 6	2011M 7	2011M 8	2011M 9	2011M10
External Sector								
Merchandise trade - exports	mth % chg[1]	8.3	-8.1	-0.3	-1.6	2.8	-1.1	...
	ann % chg[1]	18.4	10.0	3.9	4.2	9.7	9.0	...
Merchandise trade - imports	mth % chg[1]	-6.3	14.1	-8.8	-9.1	13.1	1.5	...
	ann % chg[1]	7.6	18.9	4.7	-3.7	16.0	15.5	...
Merchandise trade balance (12 month total)	NZ$ million	1238	1019	999	1288	1020	724	...
Visitor arrivals	number[1]	207460	207720	184210	214220	223130	263590	...
Visitor departures	number[1]	201820	215690	199420	209000	209440	243360	...
Housing								
Dwelling consents - residential	mth % chg[1]	-1.1	3.8	-0.5	14.3	12.5	...	...
	ann % chg[1]	-32.4	-21.8	-25.2	-15.2	18.1	...	...
House sales - dwellings	mth % chg[1]	0.7	9.9	-0.9	-3.3	5.2	-3.7	...
	ann % chg[1]	-5.1	10.9	14.0	11.4	20.7	21.3	...
REINZ - house price index	mth % chg	1.1	-1.8	1.3	-0.6	0.5	1.7	...
	ann % chg	-0.4	-0.7	0.0	0.5	0.7	2.7	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	1.4	-0.7	1.1	0.3	-0.5	0.4	...
	ann % chg	10.0	6.8	9.0	8.0	8.4	7.5	...
New car registrations	mth % chg[1]	-5.4	3.6	-2.2	-1.7	7.8	-11.0	...
	ann % chg	-10.5	-3.7	-9.5	-6.0	1.9	-12.2	...
Migration								
Permanent & long-term arrivals	number[1]	7110	6940	6900	7350	7410	7000	...
Permanent & long-term departures	number[1]	7230	7230	7180	7560	7290	7660	...
Net PLT migration (12 month total)	number	5508	4625	3867	2867	2257	773	...
Commodity Prices								
Brent oil price	US$/Barrel	123.33	114.93	114.37	117.48	110.35	111.96	*110.19*
WTI oil price	US$/Barrel	110.15	101.30	96.29	97.08	86.33	85.65	*85.23*
ANZ NZ commodity price index	mth % chg	-3.9	-0.7	-3.3	-3.7	-0.2	0.4	...
	ann % chg	9.8	7.6	4.9	4.7	5.7	5.1	...
ANZ world commodity price index	mth % chg	1.6	0.4	-1.2	-0.2	-1.4	-1.3	...
	ann % chg	19.8	19.6	20.6	22.2	22.0	17.2	...
Financial Markets								
NZD/USD	$[2]	0.7859	0.7959	0.8150	0.8455	0.8384	0.8143	*0.7842*
NZD/AUD	$[2]	0.7450	0.7447	0.7686	0.7852	0.7978	0.7943	*0.7814*
Trade weighted index (TWI)	June 1979 = 100[2]	68.20	68.70	70.30	72.70	72.10	71.20	*69.16*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	*2.50*
90 day bank bill rate	%[2]	2.65	2.66	2.65	2.71	2.90	2.88	*2.77*
10 year govt bond rate	%[2]	5.70	5.23	5.04	5.07	4.55	4.41	*4.53*
Confidence Indicators/Surveys								
National Bank - business confidence	net %	14.2	38.3	46.5	47.6	34.4	30.3	13.2
National Bank - activity outlook	net %	29.5	39.7	38.7	43.7	43.3	35.4	26.1
ANZ-Roy Morgan - consumer confidence	net %	101.4	103.3	112.5	109.4	113.3	112.6	112.2

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, ANZ National Bank of New Zealand, NZIER, Datastream, Westpac McDermott Miller