THE TREASURY
Kaitohutohu Kaupapa Rawa

Monthly Economic Indicators

New Zealand Government

November 2017

Executive Summary

- **Retail sales volumes rose by 0.2% (sa) in the September quarter and electronic card transactions rose 0.3% (sa) in October**
- **Annual net permanent and long term (PLT) migration fell to 70,700**
- **The REINZ New Zealand House Price Index (HPI) and sales volumes rose modestly**
- **Dwelling consents fell 9.6 in October, mostly from lower multi-unit consents**
- **Dairy prices were weaker and dry weather poses a risk to future production**
- **The global economy has continued to gather pace and the OECD has revised up global growth predictions**
- **New Zealand business report that capacity is stretched, with solid tourism and construction boosted by high population growth**

Annual net PLT migration fell slightly, but was still above 70,000. Softer housing market conditions continued, with the REINZ New Zealand HPI up 0.2% in October, and sales up 1.5% (sa). New dwelling consents fell 9.6%, after three strong months. This decline was mostly from a decline in the more volatile multi-unit dwelling consents.

Retail sales volumes rose by a modest 0.2% in September, but were coming off a high level, with June spending boosted from by visitors for the Lions tour and Masters Games. Electronic card transactions rose 0.3% (sa) in October. Flatter house prices are likely to provide less of an impetus to consumption growth than in recent years. However, employment growth and increases in wage and transfer incomes, combined with still high (albeit falling) net migration, should lead to continued consumption growth at a reasonable rate over the next year.

Some risks to dairy profits developed this month, as the GDT Price Index fell for the fourth consecutive auction. This has led to some commentators revising down their farmgate milk price, most by around 50 cents. The outlook for production also weakened, despite an increase in October, as recent dry weather has caused low soil moisture levels.

Growth in the global economy has continued to gather pace. Stronger-than-expected outcomes over recent months has led the OECD to revise up its global growth projections for 2017 and 2018. Whilst welcoming the global upturn in activity, the OECD remained cautious about the medium-term outlook warning that productivity growth is likely to remain subdued unless investment growth strengthened further.

Officials from the Treasury met with businesses and organisations around the country in November. Businesses in the construction sector reported that capacity constraints are constraining growth. The tourism sector also reported that capacity is stretched, with strong visitor numbers and high hotel occupancy rates. Overall, there was optimism in the New Zealand economy, supported by solid population growth, with positive employment and investment conditions.

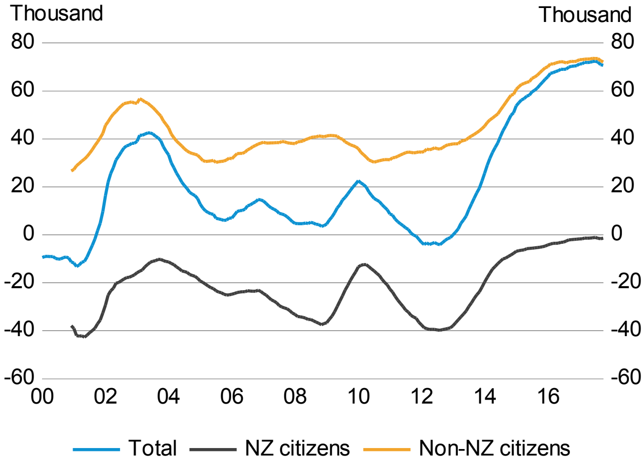
Analysis

The housing market continued to show little movement in October, and annual net permanent and long-term (PLT) migration dipped slightly lower, strengthening the view that we may have seen its peak this cycle. In its November Financial Stability Report (FSR), The Reserve Bank announced that it would begin adjusting Loan to Value Ratio (LVR) restrictions from 1 January 2018. Retail trade volumes rose a modest 0.2% in the September quarter, but were coming off a high level, with June spending boosted by visitors for the Lions tour and Masters Games. The outlook for consumption remains positive, despite softer retail sales growth was soft, as a greater share is likely to have come from NZ residents. Dairy prices fell further in October and there is some risk to production for the rest of the season with the dry weather creating low soil moisture levels.

Net migration

Annual net PLT migration fell to 70,700 in October from 71,000 in September (Figure 1). The fall from September was driven by a smaller net inflow of non-New Zealand citizens, which fell to 72,100 from 72,600. The net outflow of New Zealand citizens also decreased slightly from 1,600 to 1,400, providing some offset. Annual net migration peaked in July at 72,400 and further declines are expected.

Figure 1: Annual net PLT migration by Citizenship



Source: Statistics New Zealand

Housing

The housing market showed little movement in October, with the REINZ HPI for New Zealand increasing by a modest 0.2%. On an annual basis, the HPI for Auckland was down 1.2%, and in the rest of the country it increased 6.5%, leaving New Zealand as a whole up 1.6%.

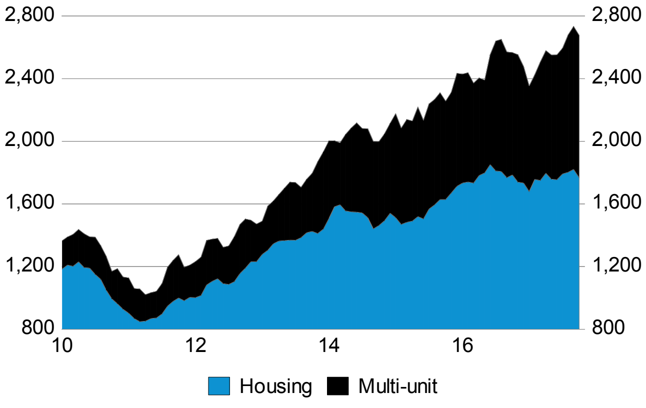
Sales volumes for New Zealand rose 1.5% (sa), but from a low level, and were still down 15.8% from last year. The lower sales volumes have had different consequences for Auckland than the rest of the country. In Auckland, more people have listed properties but sales have fallen, down 20.6% since last year. This has led to an increase in the total inventory of houses available to buy and weaker price pressure. In the rest of the country, sales have also been falling, down 13.8% from last year, but with fewer people listing properties, the inventory has actually fallen. This could be a result of people waiting to sell until they believe prices have approached a peak. Some market commentators also note that the election added uncertainty and lower sales are a common response.

The October 2016 round of LVR restrictions imposed by the Reserve Bank also likely played a role in curbing house price inflation. The Reserve Bank noted in its November 2017 FSR that LVR restrictions have been effective and that “financial stability risks associated with the housing market are moderating”. The Reserve Bank will start to lessen LVR restrictions from 1 January, and will continue doing so gradually, “provided that financial stability risks remain contained”.

Gradually unwinding LVR restrictions is unlikely to have a major impact on house price inflation. Slightly lower, but still historically high net migration, together with prices that are high relative to incomes suggests that house price inflation is likely to remain modest.

New dwelling consents are a good indicator of construction activity for the next two quarters. New dwelling consents fell 9.6% (sa) in October to 2,479, following an upward trend in the past few months.

Figure 2: New dwelling consents (3-month moving average)



Source: Statistics New Zealand

Since 2014, much of the increase in dwelling consents has come from multi-unit dwellings; however, these are typically more volatile on a monthly basis (Figure 2). Housing consents, which are typically less volatile, only fell 2.9% (sa) in October.

Despite weaker prices and October consents, there is still strong underlying demand for housing. Much of the weakness in consents over the past year can be attributed to constraints in the construction sector, primarily in the form of tighter access to finance and shortages in skilled labour (see special topic p. 8). We expect these constraints to ease gradually as firms adjust, leading to future increases in consents, which should translate to an increase in residential investment.

Retail trade was flat in September…

Total retail sales volumes rose 0.2% (sa) in the September quarter, following March and June quarter growth of 1.6% and 1.8% respectively. Eight of the fifteen industries experienced volume growth, led by increases in non-store retailing, electrical and electronic goods, and clothing, footwear and accessories. Food and beverage services, and accommodation services both fell, partly unwinding strong June quarter growth linked to the Masters Games and Lions tour. The other main fall came from furniture and houseware, which was flat in June, and could be reflecting weaker residential investment and housing market activity as people typically increase spending to furnish a new home.

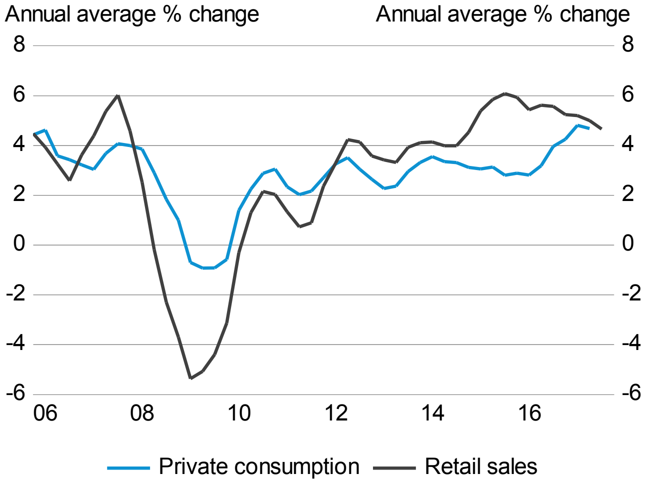
Retail sales values increased 0.1% (sa) with prices essentially flat in the quarter. The rise in retail sales values was also led by in-store retailing and clothing, with falling fuel prices providing a partial offset. Core retail sales values rose 0.7% (sa), which excludes the more volatile vehicle and fuel categories.

Despite the modest quarterly growth, in the year to June, sales volumes were up by a robust 4.7% from the year prior.

…but private consumption is expected to increase

Retail trade data provides an indication of the likely strength in the private consumption component of GDP. Private consumption excludes sales to non-residents, which eased back in the September quarter after being boosted in June by the Masters Games and Lions Tour. Once this non-resident spending is excluded, the likely implication for private consumption is for stronger growth in September than the headline retail sales numbers indicate. Nevertheless, there is still some downside risk to the Treasury's consumption forecast of 0.8% growth at *PREFU.*

Figure 3: Retail sales and private consumption volumes



Source: Statistics NZ

Total electronic card spending rose 0.3% (sa) in October. Hospitality rose the most (by 1.5%), with modest increases in vehicles, apparel and consumables. Fuel and durables fell by 0.8% and 0.5% respectively.

The ANZ-Roy Morgan Consumer Confidence Index eased slightly in November, dropping nearly 4 points to 129 (sa), but remains above the long run average. The forward-looking component drove the fall in headline confidence.

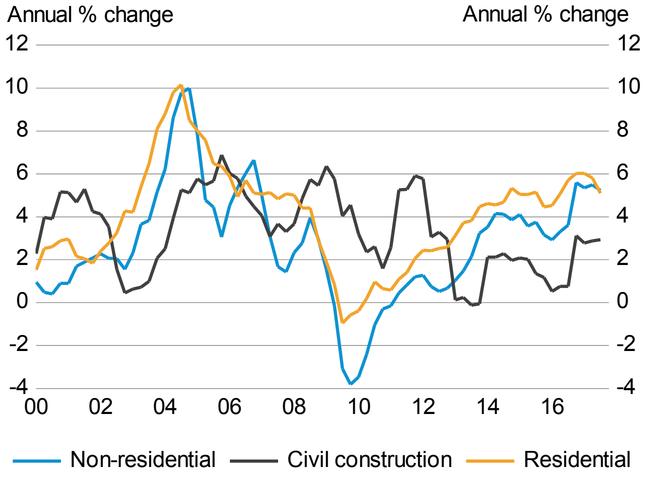
Flatter house prices are likely to provide less of an impetus to consumption growth than in recent years. Employment growth and increases in wage and transfer incomes, combined with high (albeit falling) net migration, should support consumption growth over the next year. However, as the dip in consumer confidence suggests, there are some near-term risks.

Business prices grew strongly in September…

Both producer input and output prices rose 1.0% in the September quarter, to be 4.3% and 5.4% higher than a year ago, respectively.

Construction output prices rose 0.8% to be 4.2% higher than a year ago, driven by the building construction component. Construction-related capital goods prices also increased in the quarter, with residential prices up the most, by 1.0%. Compared to a year ago, residential and non-residential prices were both up by around 5% and civil construction prices were 2.9% higher. Prices in construction have been increasing strongly in the past few years, although they stopped accelerating at the start of this year. Strong price increases in construction are indicative of the sector facing capacity constraints, especially given the slight falls in residential investment volumes in the first two quarters of the year.

Figure 4: Construction-related capital goods price indexes



Source: Statistics NZ

Electricity prices again rose strongly in the quarter, with the dry winter reducing electricity output from lower cost hydro sources, leading to both higher input and output prices. The higher electricity prices also drove an increase of 8.0% in manufacturing input prices.

Looking at other capital goods categories, transport equipment and plant, and machinery and equipment prices were marginally lower than a year ago, with relatively subdued import prices and the exchange rate reducing price pressures in this area. Depreciation of the exchange rate over the past month may start to put upward pressure on prices of these types of capital goods.

…but food and dairy prices softened

Food prices fell 0.1% (sa) in October to be 2.7% higher than a year ago. The food price outturn was broadly in line with the *PREFU* forecast, with some unwinding expected following the strong increases earlier in the year.

The GDT Price Index fell 3.4% at last week's dairy auction, which was the fourth consecutive decline. This has led to some commentators revising down their farmgate milk price forecasts for 2017/18, with most around 50 cents lower than they were at the start of the season. Fonterra is expected to provide an updated farmgate milk price forecast in early December.

Dairy production rose 3.0% in October, but there are growing concerns that low soil moisture could hurt production through the rest of the season. While there was a lot of rain through winter and early spring, this restricted pasture growth because of saturated soils, and conditions over recent weeks have rapidly dried them out. The low soil moisture level presents a risk, especially heading into summer and with little rain forecast.

The trade balance widened slightly

The annual overseas merchandise trade balance widened slightly, from $2.9 billion in September to $3.0 billion in October, with imports growth slightly outpacing growth in exports. Seasonally adjusted exports rose 4.9% in the month, chiefly on higher commodity export values (dairy, meat, logs and crude oil). Imports were 7.1% (sa) higher and included another Dreamliner, worth $257 million.

Global economic conditions continue to improve…

Growth in the global economy has continued to gather pace. Among our main trading partners, reports of third quarter growth showed the economic recovery in advanced economies continued (Table 1). This upswing, combined with continued growth in China, is supporting an expansion of global trade volumes and growth in the export-oriented economies in east Asia (Table 1). Timely indicators of activity, including industrial production, consumer and business sentiment, show the recent strength in activity has been sustained in the fourth quarter. In Australia, third quarter GDP growth is expected to be similar to that in the second quarter, lifting annual growth to around 3.0%. Overall, we expect 2017Q3 trading partner growth of 3.8%.

Table 1: Trading Partner Growth has picked up

	2017q1	2017q2	2017q3
Total adv. economies	**1.8**	**2.0**	**--**
Australia	1.8	1.8	--
US	2.0	2.2	2.3
Japan	1.4	1.5	1.6
Euro area	2.0	2.3	2.5
UK	1.8	1.5	1.5
Canada	2.3	3.7	--
Total Asia	**5.6**	**5.5**	**--**
China	6.9	6.9	6.8
Korea	3.0	2.7	3.6
Singapore	2.5	2.9	5.2
Taiwan	2.4	2.4	3.1
Malayasia	5.6	5.8	6.2
Indonesia	5.0	5.0	5.1
Thailand	3.3	3.8	4.3
Hong Kong	4.3	3.9	3.6
Phillipines	6.5	6.7	6.6
India	6.1	5.6	--
Total TPG growth	**3.5**	**3.6**	**--**

Source: Haver

…leading OECD to revise up global outlook…

Stronger-than-expected outcomes over recent months has led the OECD to revise up its global growth projections for 2017 and 2018 to 3.6% and 3.7% respectively, both up 0.1%-point from its June forecasts (Table 2). For 2019, the OECD projected growth to ease to 3.6%. Leading the upward revisions were upgraded forecasts for the euro area with the OECD now expecting growth of 2.4% in 2017 and 2.1% in 2018, up 0.6 and 0.3%-points respectively.

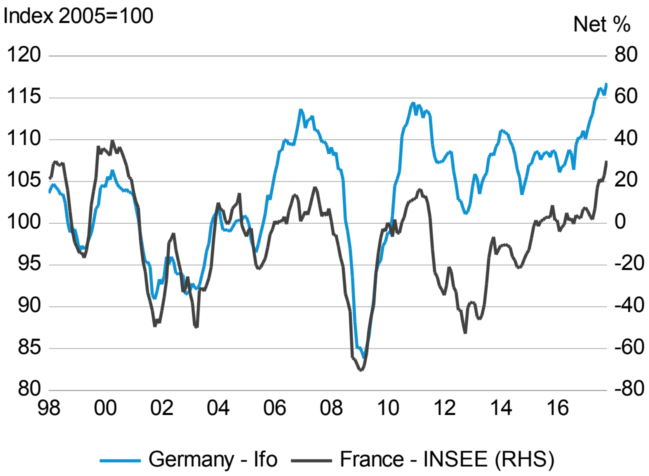
Table 2: OECD growth forecasts

	2016	2017	2018	2019
Real GDP growth (ann. avg. %)				
World	3.1	3.6	3.7	3.6
OECD	1.8	2.4	2.4	2.1
US	1.5	2.2	2.5	2.1
euro area	1.8	2.4	2.1	1.9
Japan	1.0	1.5	1.2	1.0
Non-OECD	4.1	4.6	4.9	4.8
China	6.7	6.8	6.6	6.4

Source: OECD[1]

Supporting these revisions, November's euro area composite PMI rose to a new cyclical high of 57.5, led by strength in manufacturing (Figure 5). French and German business confidence also pushed higher, reinforcing the messages from the PMIs that the expansion is continuing to gather pace (Figure 5).

Figure 5: Business confidence climbs further in euro area



Source: Haver

Whilst welcoming the global upturn in activity, the OECD remained cautious about the medium-term outlook. The "moderate" upturn in investment was not sufficient to fully offset past weakness and, as a consequence, productivity growth was likely to remain subdued. They also noted that growth in emerging market economies remained lower than in the past and the prospects of faster growth were being hampered by stalled reform efforts and high debt burdens, the latter most notable in China.

The OECD upgraded its growth forecasts for China by 0.2%-points for both 2017 and 2018. Although growth is faster it is still projected to be trending lower, to 6.4% in 2019, as exports and investment moderate.

Growth in China continues to ease…

Chinese data released in October showed growth continued to ease as earlier policy stimulus fades and financial and non-financial regulations have tightened. Industrial production growth slowed to 6.2% from 6.6% in September and annual growth in fixed asset investment and retail sales also slowed, to 7.3% and 10.0% respectively. Much of the weakness in retail sales was driven by housing-related indicators, such as durables sales, which lines up with a slowing in property sales for the first time since 2015. Market expectations are for annual growth to slow to 6.6% in the December quarter, down from 6.9% at the start of the year, and consistent with the OECD's forecast of year average growth of 6.8%.

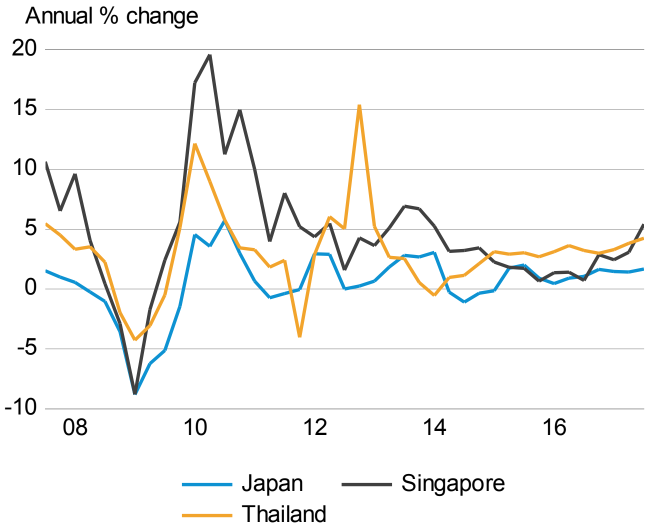
[1] http://www.oecd.org/eco/outlook/economic-outlook/

…as regulations tighten

Signs of tighter fiscal policy were evident in China's Ministry of Finance tightening controls over public private partnerships (PPPs), which are expected to result in the cancellation of some PPP projects. The government also released draft guidelines on the asset management sector, an essential part of shadow banking. The sector holds assets of around 137% of GDP, mostly in the form of bonds and nonstandard credit assets. The guidelines include stricter rules on disclosure, leverage and investment in nonstandard assets. There will be a relatively long transition period (June 2019) but the new rules are expected to help slow credit growth, consistent with the authorities desire to foster deleveraging.

Stronger growth elsewhere in Asia

Figure 6: Faster growth in Singapore, Thailand and Japan



Source: Haver

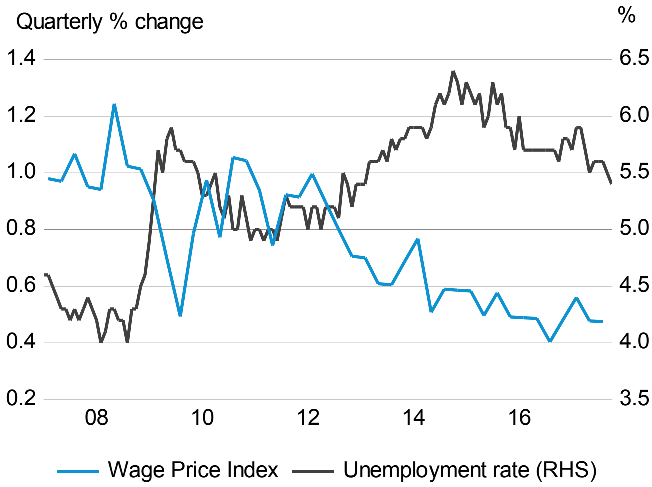
Elsewhere in Asia, Singapore's GDP increased 5.4% from a year ago (yoy), up from 3.0% in the June quarter (Figure 6). Manufacturing drove the increase up, 18.4%yoy from 8.4%yoy in the previous quarter. In Thailand, GDP rose 4.3%yoy in 17Q3, up from 3.8%yoy in 17Q2 - the strongest pace of growth since 2013. GDP growth in Japan was positive for the seventh consecutive quarter. Quarterly GDP growth in the September quarter was 0.3%, bringing annual growth to 1.7% up from 1.5% in the June quarter, the strongest annual outturn in two years.

Wage growth in Australia slow to pickup…

In Australia, September's labour market release showed continued steady improvement, albeit at a slightly slower pace. Annual employment growth eased slightly, but remained elevated at 3.0%. The strong growth in full time employment, up 3.7%, suggests the foundations of this employment growth remain solid. A slight easing in the participation rate meant that unemployment continued its decline, easing to 5.4% (Figure 7).

A number of analysts were anticipating wage growth to lift following the increase in the minimum wage (up 60 cents to $18.30 per hour) on July 1st. However, there was little obvious impact as the 0.5% increase in the wage price index matched the June quarter increase, suggesting that the unemployment rate will have to fall further before wage growth starts adding pressure to inflation (Figure 7).

Figure 7: Subdued wage growth as unemployment falls



Source: Haver

…weighing on consumer spending

With household spending weighed down by high debt levels and structural forces, such as increased competition holding prices down, the recovery in demand and inflation is expected to be gradual. The RBA's November Board minutes and a speech by Governor Lowe reinforced the message that the Board saw little need to move rates any time soon.

The IMF's Concluding Statement[2] of the 2017 Article IV mission, released in November, largely supported the RBA's stance. The IMF expects any pickup in growth to be modest and wage and price pressures to

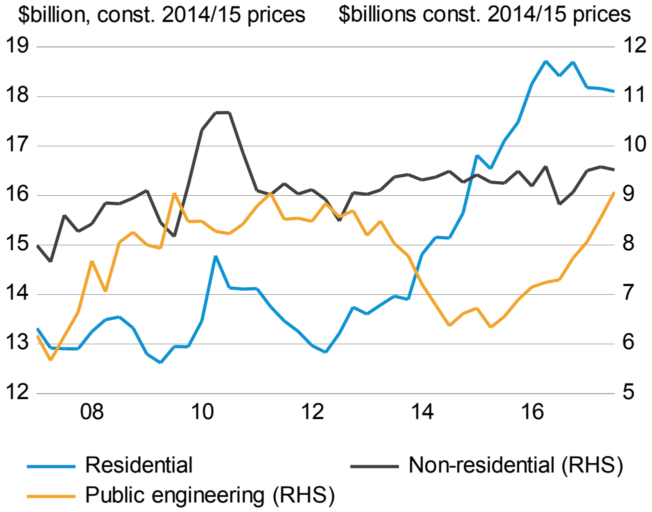
[2] https://www.imf.org/en/News/Articles/2017/11/20/ms112017-australia-staff-concluding-statement-of-2017-article-iv-mission

rise slowly. They see the key risk factors to the Australian outlook arising from the domestic housing sector, tighter offshore financing conditions, downside risk from China via commodity prices and services trade, and declining consumer spending on prolonged low wage growth.

Concern with high debt levels led APRA Chair Wayne Byres to ask Australian lenders to undertake considerably more detailed analysis of their customers to better ensure they are able to service and repay their mortgages[3]. He observed that high loan-to-income lending in Australia is much higher than in the UK and Ireland where issues arising from high house prices and low interest rates area also present. Observers expect APRA to follow up with some form of new guidance or regulation.

In terms of activity, the major release was the September quarter construction report. Headline quarterly growth of 15.7% was driven by imports of LNG facilities. Meanwhile, residential building was down 0.3% as the residential cycle flattens off, non-residential fell 0.6% and public engineering rose 6.1%, with further growth expected (Figure 8).

Figure 8: Construction work done

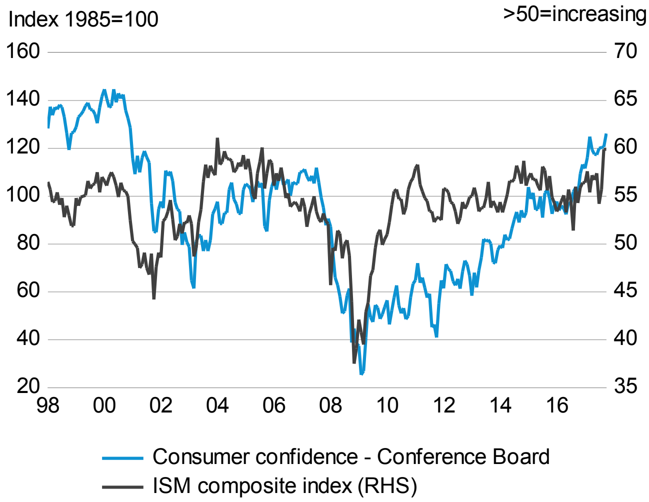


Source: Haver

Buoyant US sentiment…

In the US, consumer confidence rose to a 17-year high, according to the Conference Board, matching October's 17-year low unemployment rate of 4.1% and signalling a positive outlook for consumer spending. Meanwhile, industrial production continued to strengthen and the composite ISM index remained steady at 59.9, a 12-year high signalling healthy growth continued in the December quarter (Figure 9). CPI inflation eased to 2.0%yoy from 2.2%yoy in September as energy fell. In contrast, core inflation increased to 1.8%yoy up from 1.7% in September. Industrial production increased 0.9% in October bringing annual growth to 2.8%, the strongest result since 2014.

Figure 9: Buoyant US sentiment



Source: Haver

The Senate testimony of Federal Reserve Chair nominee Jerome Powell and a speech by the current Chair confirmed market expectations of a rate rise in December and a gradual upward path for interest rates thereafter.

UK growth forecast revised down, public debt up

The UK Budget projected borrowing would be around GBP50bn higher over the forecast period than was projected in March. Much of the deterioration was owing to the Office of Budget Responsibility's (OBR) downgraded growth forecast of an average rate of 1.4% per year from 1.8% previously. Long-run potential growth was lowered to 1.5% per year from 2.1% previously, mostly owing to revised productivity growth of 1.2% per year, down from 1.8%. The Government also adopted a slightly more expansionary fiscal stance, driven by housing policy - the Budget centrepiece - and capital spending on health. Housing measures included stamp duty relief for first time home buyers.

According to the OBR, the UK Government remains on track to meets its interim objectives of declining debt-to-GDP and a structural deficit below 2% of GDP. However, the OBR considered that current policy was unlikely to deliver the Government's fiscal objective of budget balance by 2025/26.

[3] http://www.apra.gov.au/Speeches/Pages/Housing-The-importance-of-solid-foundations.aspx

Special Topic: October/November 2017 Business Talks

During the last week of October and early November, officials from the Treasury met with a range of businesses and business organisations around the country to discuss the outlook for the economy. The information gathered was used to inform the Treasury's 2017 *Half-Year Economic and Fiscal Update*. The views summarised below are those of the businesses.

The focus of these talks was on two sectors that have been important in the current economic expansion: construction and tourism. Both of these sectors have grown strongly in recent years, contributing to GDP annual growth persisting around the 3% mark. Officials were interested in the current state of the whole economy, but these sectors particularly, and what the prospects are for both the short- and long-term activity.

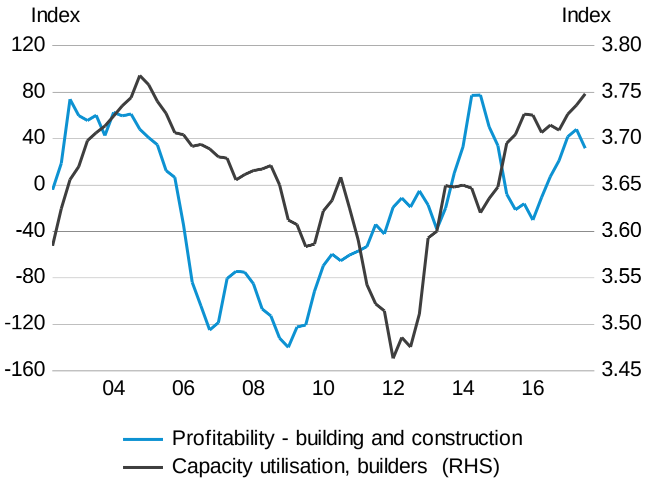
Construction is hitting capacity constraints…

Reports on the state of the construction sector were mixed. Although construction activity is at or near an all-time high, just about all respondents had somewhat pessimistic stories to relate. Although there are still big projects underway in Christchurch, growth has slowed markedly, with sufficient resources to tackle one major project at a time. The earthquake recovery work in the Kaikōura region has drawn some of the construction-related labour force away. Wellington is very busy, supporting earthquake-related work. Although construction activity in Auckland was described as elevated, it has been at the same level for some time, with no signs of growth.

All respondents cited constraints within the construction industry. These constraints related to labour, materials and funding. Labour shortages have led to high labour costs in the industry, particularly amongst sub-contractors. There have been some difficulties around the timing and availability of building materials. Credit for residential developers has tightened, particularly over the past 18 months. Alleviating these constraints will be key to renewed growth in the construction sector.

Despite the construction 'boom', profitability is tight. Construction workers have been enjoying high wages and some sub-contractors are making good profits. On the other side of the coin, there have been some well-publicised losses amongst larger firms.

Figure 10: Construction profitability and capacity utilisation



Source: NZIER

…and tourism is also very busy

The tourist sector also appears to be running at capacity. Hotel occupancy rates are high and room rates have increased noticeably. Additional hotel capacity is starting to become available as new hotel projects are completed, particularly in Auckland. The rise in tourist numbers had been fuelled by a large increase in visitors from China, but this has plateaued in the past year, caused at least in part by lack of accommodation. Growth has instead come out of North America, more recently, and visitor numbers from China are expected to rise in the coming year. There has been a trend amongst visitors from Asia away from the usual package tours, who are not usually big spenders while in New Zealand, towards more free independent travellers (FITs), who spend relatively more. The establishment of direct air routes into the Persian Gulf has helped to open New Zealand up more to European visitors.

The retail sector is perhaps not as buoyant as it was at the time of our March business talks. A number of retailers are missing their sales targets and some were described as struggling. On the other hand, there were also reports from retailers that were doing well and expecting to continue to do so. Auckland was described as being a bit slower than other regions. The recent drop in the NZ dollar was seen as putting upward pressure on some retail prices.

There were few comments on other sectors. The one stand-out was the IT sector, which appears very busy. An increasing trend towards automation across a lot of businesses is accelerating the demand for IT services. As a result, there are many new IT businesses starting up, serving both the domestic and international markets. These new businesses are finding it challenging to get people with the right skills, and to access capital.

The labour market is still 'tight'…

Most employers have been increasing wage rates in line with CPI inflation, and expect to continue to do so. Bonus payments are used to reward strong performance and to share the gains when the business is doing well.

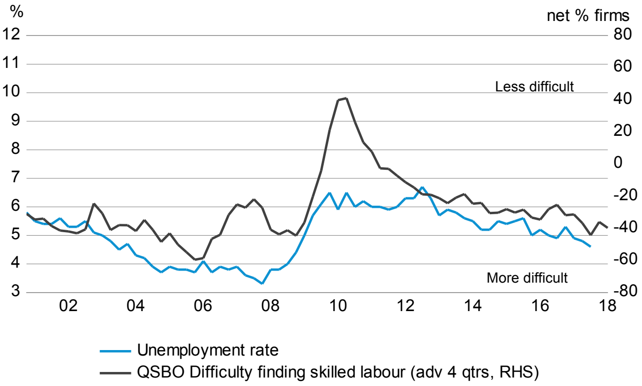
As has been the case in talks with businesses over the past few years, employers maintain a bias towards hiring. However, good-quality, skilled labour is difficult to find and skill shortages are translating into wage pressure, particularly in the construction and IT industries; some employers find that they are having to increase remuneration to retain and/or attract skilled employees. Availability of labour was mentioned as a constraint on firms' growth; businesses' ability to import labour has helped to relieve this constraint. There were some reports of Auckland firms losing staff to regions where housing is not so expensive.

There were mixed views on proposed increases to minimum wage rates. Some businesses expressed little concern as they were already paying above the minimum. Others were concerned that moving the minimum wage as high as the proposed $20 by April 2021 could have an unfavourable impact on their business resulting in some combination of reduced output, employment or profits.

…and investment intentions positive

There were many reports of significant investment, either just-completed, underway or about to commence. While a lot of this investment is physical, (eg, distribution centres, office blocks, retail centres) firms are also planning a great deal of technological investment, eg, in IT infrastructure, automation and robotics. Auckland traffic congestion is still viewed as 'difficult', but opinions were unanimous that the Waterview tunnel has relieved congestion. Roads to the airport are still an issue, but plans are underway to improve the roading network in that area, and a rail link to the airport, either light or heavy, was viewed as being beneficial, to businesses as well as travellers.

Figure 11: Unemployment rate and difficulty finding skilled labour



Source: Statistics New Zealand, Reserve Bank

Overall, conclusions are similar to what they were in the Treasury's talks with businesses in March 2017, ie, continued optimism in the New Zealand economy, supported by solid population growth, with positive employment and investment intentions. Availability of good-quality labour was cited as the main constraint on future growth, so there were some concerns expressed that a reduction in inward migration could see economic growth slow. Firms were generally positive about additional regional investment, particularly for infrastructure projects. They also welcomed additional support for research and development.

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

		2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.7	0.8	0.7	0.4	0.6	0.8	...
	ann ave % chg	2.4	2.7	3.0	3.0	2.9	2.7	...
Real private consumption	qtr % chg[1]	0.3	2.1	1.4	0.4	1.2	0.9	...
	ann ave % chg	2.8	3.2	4.0	4.3	4.8	4.7	...
Real public consumption	qtr % chg[1]	1.1	0.1	1.2	1.0	1.0	1.1	...
	ann ave % chg	2.6	1.8	1.8	2.2	2.4	3.4	...
Real residential investment	qtr % chg[1]	4.6	5.0	0.7	0.2	-1.3	-1.0	...
	ann ave % chg	2.8	6.3	9.0	11.1	10.3	6.3	...
Real non-residential investment	qtr % chg[1]	1.3	1.5	0.3	2.1	1.8	-0.4	...
	ann ave % chg	2.4	2.4	1.7	3.2	3.6	3.8	...
Export volumes	qtr % chg[1]	-0.1	2.1	-0.7	-3.1	0.4	5.2	...
	ann ave % chg	5.6	4.8	3.0	1.6	0.7	-0.1	...
Import volumes	qtr % chg[1]	0.5	2.4	1.8	1.7	1.0	0.6	...
	ann ave % chg	2.0	1.0	1.8	3.4	5.1	6.0	...
Nominal GDP - expenditure basis	ann ave % chg	4.1	4.2	4.3	5.3	5.6	5.9	...
Real GDP per capita	ann ave % chg	0.4	0.6	0.9	0.9	0.8	0.6	...
Real Gross National Disposable Income	ann ave % chg	2.1	2.7	3.1	4.1	3.9	4.0	...
External Trade								
Current account balance (annual)	NZ$ millions	-7,252	-6,827	-7,139	-6,554	-7,730	-7,490	...
	% of GDP	-2.9	-2.7	-2.8	-2.5	-2.9	-2.8	...
Investment income balance (annual)	NZ$ millions	-8,334	-7,816	-7,611	-7,133	-7,700	-7,789	...
Merchandise terms of trade	qtr % chg	4.2	-2.0	-1.2	5.8	3.9	1.6	...
	ann % chg	-0.4	-3.8	-1.2	6.7	6.4	10.3	...
Prices								
CPI inflation	qtr % chg	0.2	0.4	0.3	0.4	1.0	0.0	0.5
	ann % chg	0.4	0.4	0.4	1.3	2.2	1.7	1.9
Tradable inflation	ann % chg	-1.2	-1.5	-2.1	-0.1	1.6	0.9	1.0
Non-tradable inflation	ann % chg	1.6	1.8	2.4	2.4	2.5	2.4	2.6
GDP deflator	ann % chg	0.9	0.1	1.4	4.2	3.9	2.8	...
Consumption deflator	ann % chg	0.8	0.9	0.1	0.7	1.6	1.2	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	1.3	2.5	1.2	0.8	1.2	-0.1	2.2
	ann % chg[1]	2.0	4.5	6.1	5.8	5.7	3.1	4.1
Unemployment rate	%[1]	5.2	5.0	4.9	5.3	4.9	4.8	4.6
Participation rate	%[1]	68.8	69.8	70.1	70.5	70.6	70.1	71.1
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.4	0.5	0.4	0.4	0.4	0.6
	ann % chg	1.6	1.5	1.7	1.6	1.6	1.7	1.8
QES average hourly earnings - total[5]	qtr % chg	0.3	0.5	0.5	-0.1	0.5	0.6	1.2
	ann % chg	2.4	2.1	1.7	1.3	1.5	1.6	2.2
Labour productivity[6]	ann ave % chg	0.8	-0.2	-1.2	-2.2	-3.4	-2.3	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	1.0	2.5	0.5	0.8	1.4	1.9	0.5
	ann % chg	5.0	6.8	5.6	4.3	4.3	4.7	4.5
Total retail sales volume	qtr % chg[1]	0.9	2.1	1.0	0.9	1.6	1.8	0.2
	ann % chg	5.1	6.3	5.5	4.2	5.0	5.4	4.1
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	110	106	108	113	112	113	112
QSBO - general business situation[4]	net %	1.7	18.6	25.7	28.3	17.1	17.8	5.2
QSBO - own activity outlook[4]	net %	3.8	16.8	39.2	27.0	20.6	18.4	35.2

Monthly Indicators

		2017M05	2017M06	2017M07	2017M08	2017M09	2017M10	2017M11
External Sector								
Merchandise trade - exports	mth % chg[1]	-6.7	3.4	6.6	-10.2	3.8	4.9	...
	ann % chg[1]	7.6	10.6	16.5	9.1	8.9	16.2	...
Merchandise trade - imports	mth % chg[1]	1.1	-3.1	1.7	-3.6	5.2	7.1	...
	ann % chg[1]	14.9	7.6	4.9	5.2	1.6	15.0	...
Merchandise trade balance (12 month total)	NZ$ million	-3793	-3657	-3213	-3145	-2913	-2986	...
Visitor arrivals	number[1]	309,740	325,870	307,980	307,110	308,450	314,180	...
Visitor departures	number[1]	314,670	308,290	324,090	300,270	312,370	318,910	...
Housing								
Dwelling consents - residential	mth % chg[1]	1.5	0.7	2.8	6.2	-2.5	-9.6	...
	ann % chg[1]	10.9	-7.0	-1.7	11.7	6.0	-1.0	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	-0.4	-0.1	-0.5	-0.1	0.3	0.2	...
	ann % chg	5.2	4.5	2.0	4.4	2.9	1.2	...
New car registrations	mth % chg[1]	3.6	-2.7	-1.6	3.6	-0.4	3.5	...
	ann % chg	13.7	11.1	6.2	5.5	5.5	7.3	...
Migration								
Permanent & long-term arrivals	number[1]	11,150	11,470	11,070	10,610	10,510	10,900	...
Permanent & long-term departures	number[1]	5,200	5,160	5,340	5,170	5,290	5,320	...
Net PLT migration (12 month total)	number	71,964	72,305	72,402	72,072	70,986	70,694	...
Commodity Prices								
Brent oil price	US$/Barrel	50.33	46.37	48.48	51.70	56.15	57.51	...
WTI oil price	US$/Barrel	48.51	45.19	46.61	48.05	49.83	51.60	...
ANZ NZ commodity price index	mth % chg	4.0	-1.6	-2.1	0.2	1.7	2.5	...
	ann % chg	22.3	20.1	17.8	15.8	13.3	13.8	...
ANZ world commodity price index	mth % chg	3.2	2.1	-0.8	-0.8	0.8	-0.3	...
	ann % chg	26.3	24.6	21.1	16.3	11.5	10.4	...
Financial Markets								
NZD/USD	$[2]	0.6937	0.7226	0.7350	0.7311	0.7246	0.7062	*0.6890*
NZD/AUD	$[2]	0.9334	0.9560	0.9434	0.9233	0.9089	0.9060	*0.9034*
Trade weighted index (TWI)	June 1979 = 100[2]	75.50	77.92	78.41	77.08	75.85	74.73	*73.15*
Official cash rate (OCR)	%	1.75	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill rate	%[2]	1.98	1.95	1.96	1.95	1.95	1.94	*1.93*
10 year govt bond rate	%[2]	2.93	2.77	2.97	2.88	2.92	2.97	*2.86*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	14.9	24.8	19.4	18.3	0.0	-10.1	...
ANZ - activity outlook	net %	38.3	42.8	40.3	38.2	29.6	22.2	...
ANZ-Roy Morgan - consumer confidence	net %	123.9	127.8	125.4	126.2	129.9	126.3	123.7
Performance of Manufacturing Index	Index	58.1	56.0	55.6	58.0	57.6	57.2	...
Performance of Services Index	Index	58.4	58.1	55.9	57.1	55.9	55.6	...

qtr % chg	quarterly percent change
mth % chg	monthly percent change
ann % chg	annual percent change
ann ave % chg	annual average percent change

[1] Seasonally adjusted
[2] Average (11am)
[3] Westpac McDermott Miller
[4] Quarterly Survey of Business Opinion
[5] Ordinary time
[6] Production GDP divided by HLFS hours worked

Sources: Statistics New Zealand, Reserve Bank of New Zealand, NZIER, ANZ, Haver, Westpac McDermott Miller, ANZ-Roy Morgan, REINZ, BNZ-Business NZ