THE TREASURY
Kaitohutohu Kaupapa Rawa

Monthly Economic Indicators

New Zealand Government

April 2018

Executive Summary

- **Headline business confidence in March around five-year averages, with a net 15% of firms experiencing an increase in activity in the quarter**
- **Annual inflation drops to 1.1% in the March quarter, driven by falling tradables inflation while non-tradables inflation remains steady**
- **IMF expect global growth momentum to continue, despite growing trade tensions**

Headline business confidence remained subdued in March, with a net 11% of firms expecting weaker economic activity over the coming months according to the NZIER's Quarterly Survey of Business Opinion (QSBO). However firms were more upbeat about their own current and expected performance, with a net 16% of firms anticipating higher activity in the June quarter. Firms own activity track real GDP reasonably well, and suggest quarterly GDP growth will remain solid over the first half of 2018.

Firms reported high levels of capacity utilisation in QSBO. Capacity constraints were centred in the construction sector, with building consents remaining at a high historical level, though the number issued eased somewhat in the three months to February. These outturns point to subdued residential investment growth through 2018.

In contrast, recent outturns point to a more positive picture for consumers and exporters. Retail spending rose a healthy 2.5% in the March quarter, following 1.7% growth in the 2017 December quarter. The New Zealand ANZ Commodity Index rose 1.2% in March 2018. This third consecutive monthly rise takes the index 4.8% higher compared to the start of the year. The 17 April Global Dairy Trade (GDT) auction saw a halt to the slow downward slide of the past four auctions, with prices rising 2.7%, led by skim milk powder.

Consumer Price Index (CPI) inflation was 0.5% in the March quarter, leading annual inflation to dip to 1.1%, in line with market expectations. Tradeables inflation largely drove the decline in headline inflation, falling 0.4% in the year to March. Lower clothing and telecommunication prices, and sharp drops in international airfares and tertiary education fees contributed to the decline. Annual non-tradables inflation was 2.3%, and other measures of core inflation remain stable.

Global growth is expected to maintain its present momentum. The IMF's April 2018 World Economic Outlook forecasts world growth to remain steady at 3.9% growth per year over 2018 and 2019. However, rising tension around trade presents a risk to global growth, although the macroeconomic impact of the announcements thus far are modest. Financial markets recovered slightly in April, and the rise in oil prices to around $70/bbl was dubbed "mission accomplished" for OPEC by the International Energy Association.

ISSN-1175-6780 – Text finalised 26 April 2018

Analysis

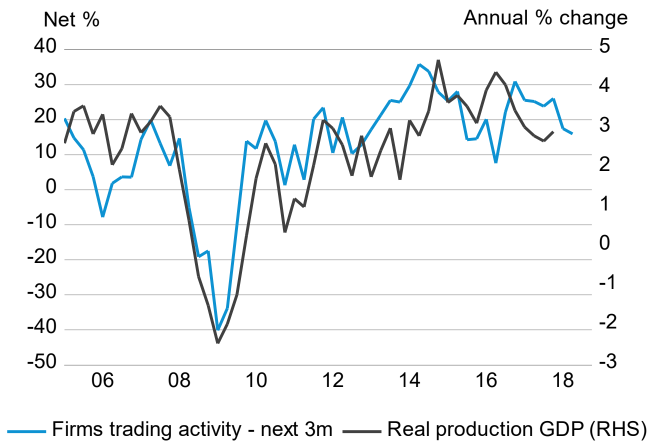
Economic data released in April point to continued solid GDP growth, with subdued price pressures. NZIER's QSBO showed business confidence around average levels and continued signs of capacity pressures, particularly in the construction sector, with easing building consent numbers. However, retail spending was healthy in the March quarter, and commodity export prices rose for a third consecutive month. Consumer price inflation remained low, growing only 1.1% in the year to March. Tradables inflation remains the main driver, with stronger readings for non-tradables inflation and other core measures of inflation.

These developments will be reflected in the *Budget Economic and Fiscal Update 2017,* released 17 May.

Business confidence around average levels…

Headline business confidence remained subdued in March, after easing in the September 2017 quarter (coinciding with the General election) and deteriorating further in the December quarter. The NZIER's March quarter QSBO showed a net 11% of firms expect weaker economic performance over coming months, little changed from last release.

Figure 1 - QSBO and real GDP



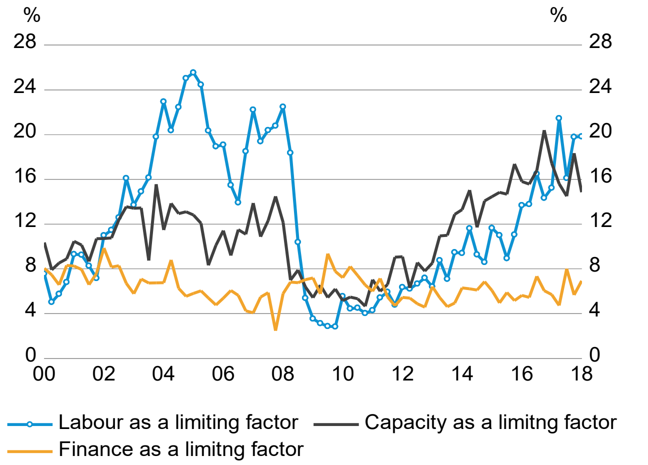
Sources: NZIER and Statistics New Zealand

Firms were more upbeat about their own performance. A net 15% of firms experienced an increase in activity in the quarter, up from 10% in the December quarter. A net 16% expect activity to increase in the current June quarter. These measures of firms' own activity tend to track real GDP reasonably well, and over the past year both measures have eased to levels that are a little below their recent averages (Figure 1). Other activity metrics in the survey including employment, investment and profitability remained around their five-year averages. These indicators align with our expectation that annual GDP growth to be a little below 3.0% over the first half of 2018.

…with capacity pressures continuing

Capacity remained tight, with capacity utilisation at a very high 93%. Labour supply remained the most important factor constraining increased sales, although capacity was also important (Figure 2). Employment and investment intentions remained around recent levels. Pricing intentions eased, despite the tight labour market and tight capacity, to around their average over the past five years. This is consistent with our view that annual inflation will likely remain below 2.0% this year.

Figure 2 - QSBO capacity pressures

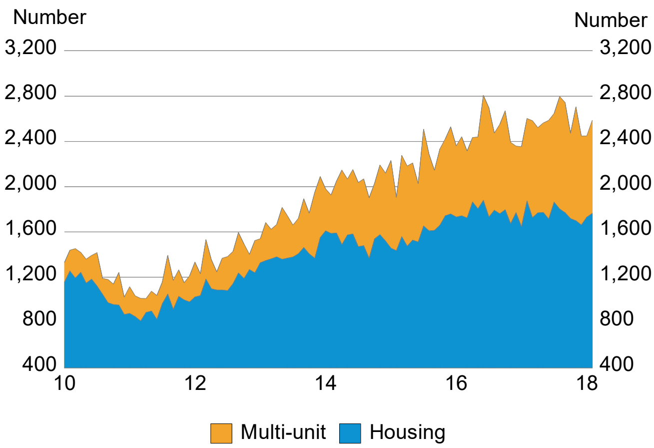


Source: NZIER

Building consent numbers ease…

The seasonally adjusted (sa) number of new dwelling consents picked up slightly in February to 2,587, following two weak months of 2,447, led by growth in multi-unit dwellings (Figure 3), and the square meters consented also rose.

Figure 3 - Building Consents, by dwelling type

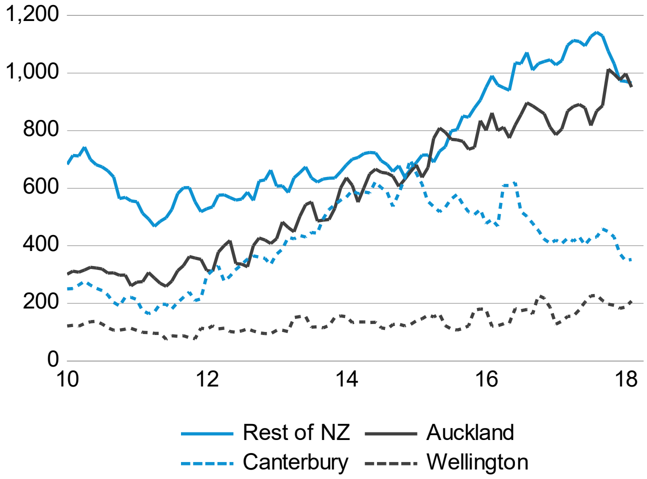


Source: Statistics New Zealand

The number of new dwelling consents in Auckland fell 13.9% in the month to 903 and Auckland housing consents fell 7.5% to 470. This goes against the trend of the past six months when Auckland growth has offset falls in other regions (Figure 4).

We have yet to see monthly consent numbers reach the same levels they did in the September quarter last year, and there has been limited growth since the middle of 2016.

Figure 4 - Regional Building Consents



Source: Statistics New Zealand

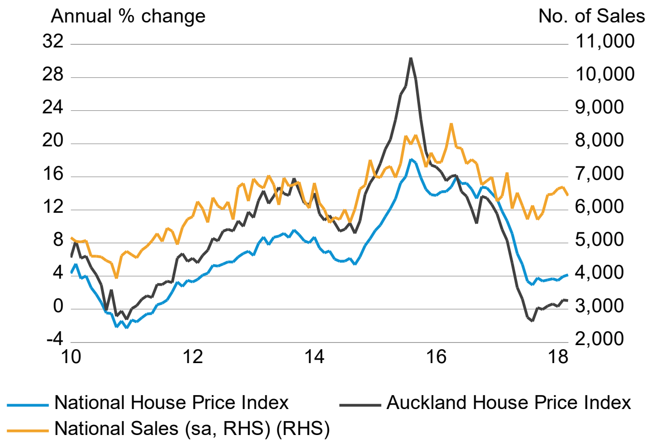
Annual consent growth has gradually slowed from 25% in the year to February 2014 compared to the previous year, to 3.6% in the year to February 2018. Despite slowing annual growth, annual consent numbers remain at historically high levels.

We expect consents to stay around present levels, limited by capacity constraints but buoyed by pent-up underlying demand. This February outturn supports our view that growth in residential investment will be weak through 2018.

…as do property sales

House sales dipped 3.9% (sa) in March according to the latest REINZ outturn, driven by sales in Auckland, but rose 5.2% (sa) in the last three months compared to the previous three months (Figure 5).

Figure 5 - House prices and sales



Source: REINZ

House price growth has continued at a modest pace, in keeping with the trend since mid-2017. The REINZ house price index rose 0.5% in March (sa), and is now up 4.2% from the same month a year ago (Figure 5). The national median house price rose 1.8% from a year ago to $560,000.

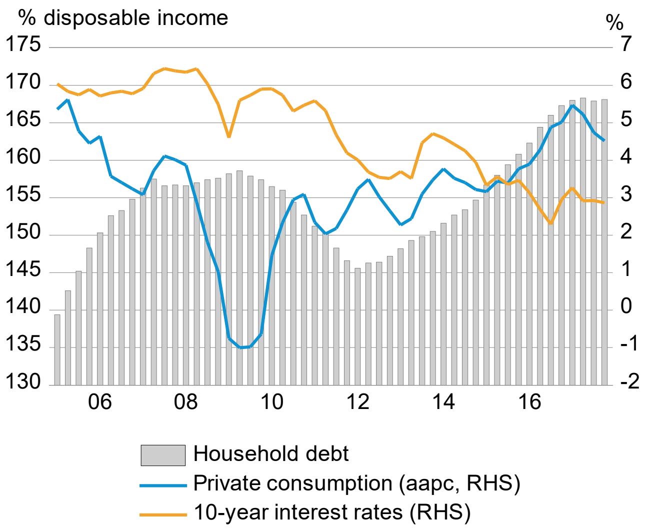
We expect overall house price inflation to continue at a modest pace until the demand-restraining policies begin to slow price growth in the second half of the year. Policies include extending the bright-line test, higher hurdles for foreign buyers and other tax measures.

Consumer activity healthy in March quarter…

Total retail electronic card spending rose 0.1% (sa) in March, lifting annual spending growth to 5.1%. Spending was driven by the core retail sector (excluding vehicles and fuel), which rose 1.6% to be 6.3% higher than the same month a year ago. For the March quarter, retail spending rose a healthy 2.5%, following 1.7% growth in the 2017 December quarter. Non-cash spending is a key component of total private consumption and continued solid growth in the former is positive for the latter.

Private consumption from 2014 to 2017 was driven by rapid house price growth and falling 10-year interest rates, and accompanied by rising household debt (Figure 6). These drivers have eased since mid-2017, with relatively modest house price gains and a plateauing of interest rates. We expect moderate private consumption growth and stable household debt over 2018, supported by the high level of house prices, low level interest rates, high population growth, and low unemployment.

Figure 6 - Household debt, consumption, and interest rates

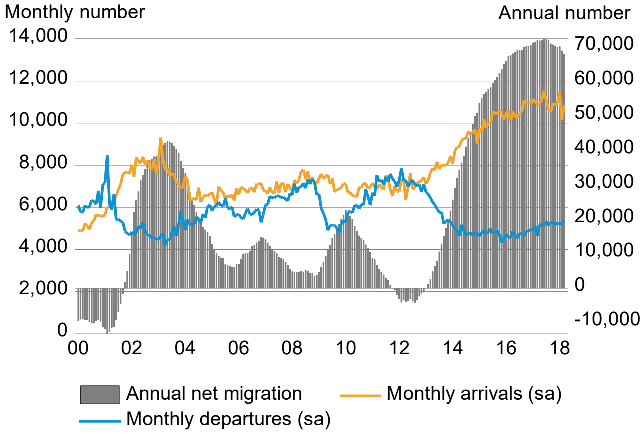


Source: RBNZ, Statistics New Zealand, The Treasury

…while annual net migration begins to ease

Net migration was 5,480 in March (sa), up from 4,930 last month. This brings annual net migration to 67,984 in the year to March, the lowest level in two years. The outturn continues the trend since mid-2017 of gradually rising departures and easing (if volatile) numbers of arrivals (Figure 7).

Figure 7 - Migration



Source: Statistics New Zealand

Tourism remains strong, with 3.82 million visitors arriving in New Zealand in the March 2018 year, up 8% from the year prior. Total guest nights in New Zealand remained broadly stable in February, with annual growth of 2.2%, slightly below the 2017 average (of 2.8%). Annual growth in international guest nights continued to outstrip domestic growth (7.0% vs -2.4%).

Commodity prices increase…

The ANZ Commodity Index rose 1.2% in March 2018. This third consecutive monthly rise takes the index 4.8% higher compared to the start of the year. Higher prices in dairy (up 3.0%), meat and fibre (up 0.3%), and forestry (up 0.3%) drove the monthly increase. Aluminium prices fell 5.1% in the month, possibly due to the recent tariff announcements between China and the USA.

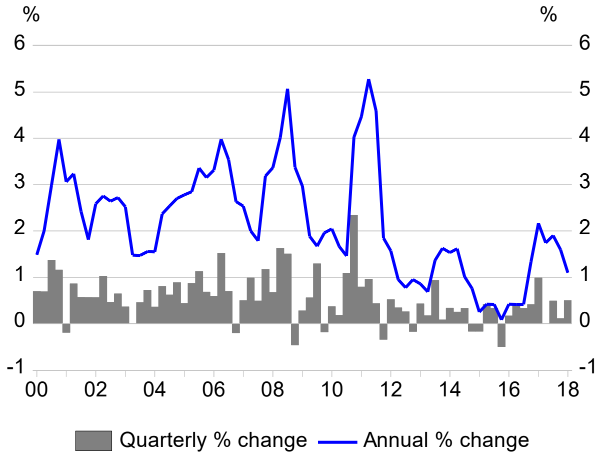
Dairy prices rose at the 17 April auction after falling for the past four auctions. The GDT price index rose by 2.7% from the previous event to an eleven month high, largely driven by a rise in skim milk powder (3.6%). Whole milk powder rose 0.9% following a Fonterra announcement that February milk production was down 4% on the previous year. The auction was closely watched for signs of impact from China/US trade concerns - lower demand from China would likely translate into lower dairy prices.

These outturns point to a more positive picture for exporters, although the trade outlook remains uncertain giving rising global trade tensions.

…but consumer price growth remains low

Annual CPI inflation rose by 0.5% in the March 2018 quarter, bringing the annual increase to 1.1% (Figure 8). Tradable prices fell by 0.1% in the quarter and non-tradable prices rose 0.9%. The outturn was broadly in line with market expectations.

Figure 8 - Consumers Price Index



Source: Statistics New Zealand

The main drivers of the March outturn were the annual 10% increase of excise on cigarettes and tobacco, petrol prices rising 2.7% (Figure 9), international air fares falling 14.4% and tertiary and other post-school education costs declining by 16%. The fall in tertiary fees is almost fully attributed to the recently introduced government policy of fees-free education for the first year of study.

Annual inflation of 1.1% remains at the bottom end of the Reserve Bank's target range of 1-3%. However, the Reserve Bank's sectoral factor model estimate of core annual inflation was higher than the headline figure, remaining at 1.5% for the March 2018 and December 2017 years. Annual non-tradables inflation stood at 2.3% in March, with the headline figure held back by falling inflation in the tradables sector (down 0.4%). We expect annual inflation to increase slowly over coming years as international inflation recovers.

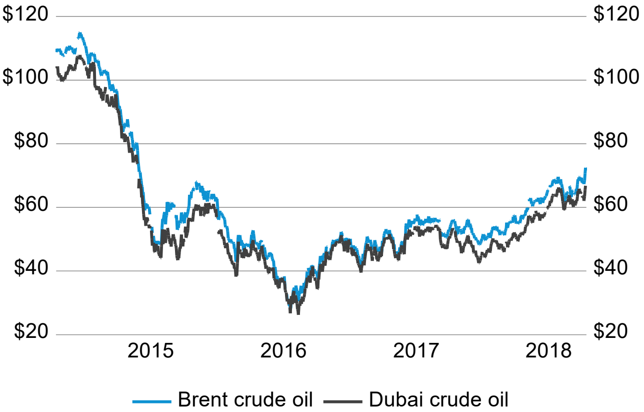
The March outturn was roughly in line with the Reserve Bank's February Monetary Policy Statement forecast. This outturn does not materially impact our view of the future path for interest rates. Likewise, the forward interest rate path implied by market pricing was little changed after the inflation data release, and the exchange rate reaction was minimal.

Oil prices reach $70/barrel

Oil prices are now trading in the upper range of $60 to $70 a barrel, compared to the lower end of $60 a month ago (Figure 9). OECD oil stocks have fallen markedly to near their five-year average levels, dubbed "mission accomplished" for OPEC by the International Energy

Agency (IEA), in reference to OPEC's battle to reduce the global glut of oil that had built up since 2015. Prices have been supported by increasing global growth boosting demand, OPEC efforts to reduce supply, concerns about the possibility of supply disruptions in the Middle East, and international trade tensions.

Figure 9 - Oil prices in US$



Source: Haver Analytics

Global growth momentum to continue…

The IMF's latest World Economic Outlook forecasts global growth of 3.9% this year and next (Table 1), supported by strong momentum, favourable market sentiment, accommodative monetary conditions and expansionary fiscal policy in the US. On the latter, the IMF assume that by 2020 tax policy changes will raise US real GDP by 1.2%. High growth rates in emerging and developing economies primarily reflects continued strong growth in emerging Asia; the uptick in growth comes from improved prospects for commodity exporters.

Table 1 - IMF forecasts growth to remain strong

	2017	2018	2019
World Output	**3.8**	**3.9**	**3.9**
Advanced Economies	**2.3**	**2.5**	**2.2**
United States	2.3	2.9	2.7
Japan	1.7	1.2	0.9
Euro Area	2.3	2.4	2.0
United Kingdom	1.7	1.6	1.5
Australia	2.3	3.0	3.1
Emerging Market and Developing Economies	**4.8**	**4.9**	**5.1**
Emerging and Developing Asia	6.5	6.5	6.6
China	6.9	6.6	6.4
India	6.7	7.4	7.8
ASEAN-5*	5.3	5.3	5.4

*Indonesia, Malaysia, Thailand, Philipines, Viet Nam

Source: IMF World Economic Outlook

…but risks are skewed to weaker growth

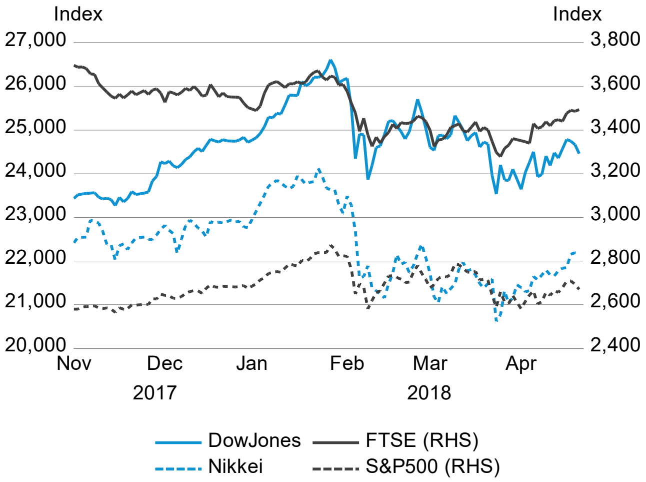
The IMF view upside and downside risks to global growth as balanced in 2018, but skewed towards weaker growth in 2019 and beyond. In particular, trade and geopolitical tensions could undermine growth and rapid monetary tightening, notably in the US, could trigger tighter global financial conditions and asset price corrections, reducing confidence and slowing growth.

Trade tensions rise with tit-for-tat tariffs…

Trade tensions continued to escalate in April. In response to US tariffs on steel and aluminium, China issued a list of 128 US goods imports, worth around US$3bn, that would be subject to a 25% tariff. Following this, the US government published a list of 1333 products imported from China, worth US$50bn (total US imports from China was US$506bn in 2017), which may be subject to additional tariffs of 25%. China retaliated quickly with a list of 106 products imported from the US, also worth US$50bn (total US exports to China US$154bn in 2017), including soybeans, cars and aeroplanes.

The speed of the move from China surprised analysts and created some volatility in markets. That volatility abated following comments from China and the US that negotiations are ongoing. President Xi's speech at a business forum in Boao struck a conciliatory tone, stating that China was entering a "new phase of opening up", and promised improved protection of intellectual property and increased access to China's financial and manufacturing sectors for foreign companies. The comments offered President Trump's administration a chance to tone down its rhetoric. These developments were received positively by the equity markets, which rebounded after a troublesome period (Figure 10).

Figure 10 - Equity markets recover slightly in April



Source: Haver Analytics

...although macro impacts likely limited

In terms of the macroeconomic impact, the incremental tariff on Chinese imports is around US$12.5bn, which is relatively small. Some analysts estimate it would slow China's growth rate by 0.1 - 0.2%-points (cf, 6.5% expected in 2018). While the impact of US tariffs is likely to be mostly negative for Asian suppliers of electronics, machinery and equipment, it could be favourable for import substitutes of some products from both China and the US. For example, China's retaliatory tariff on US soybeans may benefit competing exporters such as

Brazil and Argentina. Nonetheless, markets will be wary of reports that may portend a further escalation in retaliatory threats or actions.

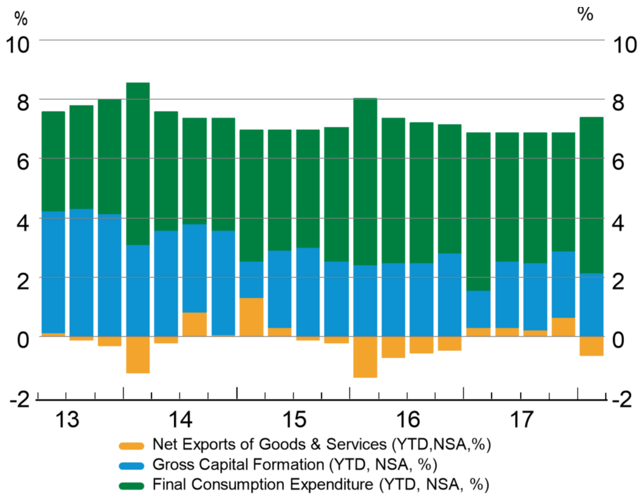
Manufacturing and services sentiment slides

Global manufacturing sentiment has eased significantly since December, although it remains at historically healthy levels. The euro area experienced the largest decline, while sentiment in the US, UK and China has eased. Services PMIs reinforce the softer manufacturing tone. In the US, the non-manufacturing ISM eased 0.7pts to a still-high 58.8, while the employment component strengthened further. China's Caixin services PMI fell 1.9pts to a nine month low of 52.5 and, in a similar vein, Japan's service PMI fell 0.8pts to 50.9, its lowest since late 2016. Moving to the euro area, the final services PMI was down 1.3pts from February, its lowest level since August. In the UK, the services PMI fell 2.8pts to 52.5, its lowest since just after the Brexit vote.

Growth in China remains high…

China's economy grew 6.8% in the year to March, supported by strong land sales, property investment and domestic consumption. Consumption contributed 5.3%-pts, the same as in the March 2017 quarter, supported by solid per capita income growth (8.8% year-on-year) and wealth effects from rising property prices (Figure 11). Chinese data releases also included, for the first time, a survey-based unemployment rate covering both urban residents and migrant workers. It showed unemployment rose to 5.1% in March from 5.0% in February.

Figure 11 - China growth holds up



Source: China National Bureau of Statistics, Haver Analytics

…and China reaffirms financial liberalisation

In line with President Xi's promises at a business forum in Boao, People's Bank of China (PBOC) Governor Yi provided additional information on plans to liberalise the financial markets and increase foreign bank participation in the local banking sector. Governor Yi also claimed that China would not devaluate the RMB in response to increased US tariffs and said the PBOC aims to let the currency and interest rates be driven by market forces. The positive comments were viewed by the markets as an additional signal of easing Sino-US trade tensions.

Cash rate unchanged in Australia

The Reserve Bank of Australia (RBA) left the cash rate unchanged at 1.5% in April and largely repeated its March post-meeting statement. The RBA continues to expect faster growth in 2018 than the 2.4% of 2017 (cf. consensus of 2.7% in 2018). The most material change in the statement was to note that short-term rates in the US had risen for reasons not related to the federal funds rate and that this had flowed through to higher short-term interest rates in Australia. Interest rates in the New Zealand market have, to date, been little affected.

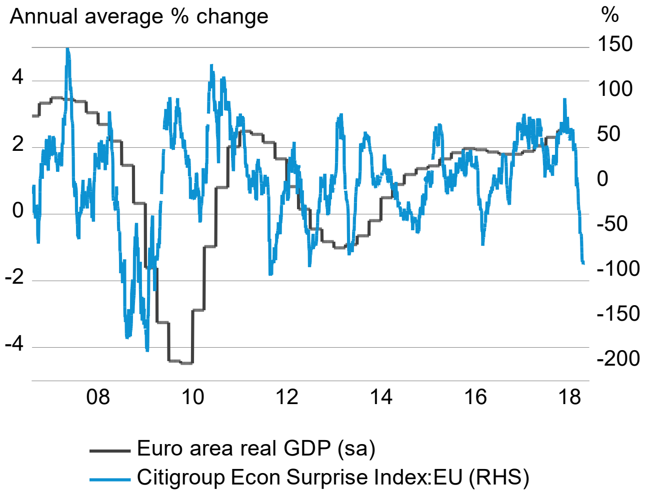
The RBA's statement continued to highlight uncertainty around the outlook for household consumption, which has been weak. This weakness has been reflected in subdued retail growth and a tick up in Australia's trend unemployment rate in March (to 5.6%) as annual employment growth slowed to 3.1% from 3.5% in February.

However, February sales were up 0.6%, following two weak months, and leading indicators suggest strong employment growth and lower unemployment ahead, giving some cause for optimism that growth may strengthen. Dwelling approvals fell 6.2% in February following a 17% rise in the previous month. Dwelling approvals appear to be trending broadly sideways, which suggests they are unlikely to contribute much to growth this year.

Slower euro area growth in March

Industrial production data over the past three months further hint at slower economic growth in Europe in the March 2018 quarter. In the euro area, industrial production fell 0.8% in February, but was 2.9% higher than a year ago. Economic outturns in March and April for the euro area have been lower than expected on average, and the stronger euro and risks from global trade policy may present further headwinds to growth (Figure 12).

Figure 12 - Euro area outturns below expectations in 2018



Source: Citigroup, Haver Analytics

UK inflation slows

March headline and core inflation both eased 0.2%-points from February to 2.5% and 2.3% respectively, weaker than expected. March retail sales volumes and monthly wage growth also fell short of expectations. Meanwhile, the unemployment rate fell 0.1%-pt to 4.2%, the lowest since 1975.

Special Topic: Forecasting Migration

Summary

- The Treasury has recently reviewed its forecast of net migration. We assume annual net migration to fall from 68,000 in the year to March to 25,000 in the year ending June 2022.
- Our current net migration assumption for 2022 is 10,000 higher than in the *Half Year Economic and Fiscal Update* 2017.
- The upward adjustment feeds into higher demand in the economy. This motivates increased investment in residential housing and for businesses to invest and hire additional staff.

This special topic presents and explains the Treasury's latest forecast of net permanent and long-term migration.[1]

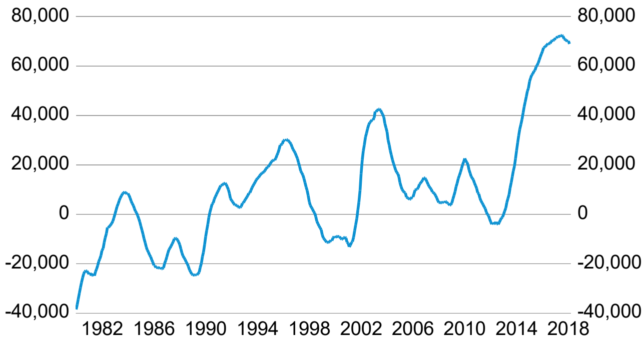
The special topic is in four parts. The first provides a summary of the migration landscape broken down by flow direction, visa type, and citizenship. The second part highlights the need for revising our latest migration forecasts. This part also presents the forecasts of Statistics New Zealand, Ministry of Business, Innovation, and Employment (MBIE), Sense Partners, as well as the Treasury. The third part presents the current projection for net migration and explains the logic behind it. The final part summarises the possible implications for our forecasts of other macroeconomic variables.

1 Where is net migration now? What is driving net migration?

Net migration started in the past few months to taper off after the record high of over 72,000 in the year ending in July 2017 (Figure 13). Net migration consists of four key flows - arrivals and departures of non-New Zealand citizens (Figures 14 and 15) as well as arrivals and departures of New Zealand citizens (Figures 16 and 17).

The complex composition of net migration partly explains why it is highly cyclical, and hard to forecast.

Figure 13 - Annual net migration

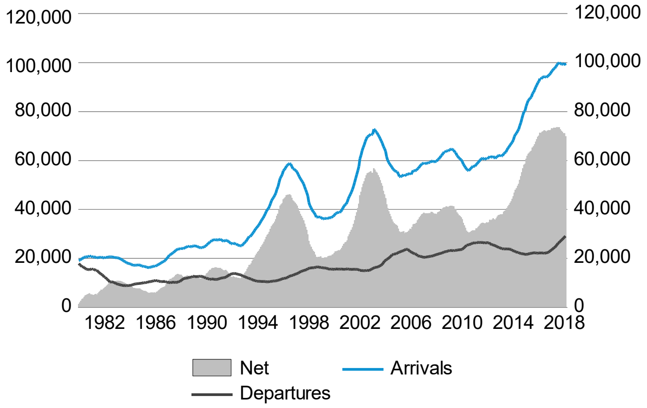


Source: Statistics New Zealand

Departures tend to increase with arrivals as a portion of recent arrivals eventually leave the country (Figure 14). The impact is lagged by around 2-3 years, in line with the time limits on many visas.

[1] This note refers to "permanent and long-term migration" where the migrant stays or intends to stay for 12 months or longer.

Figure 14 - Annual non-New Zealand citizen flows

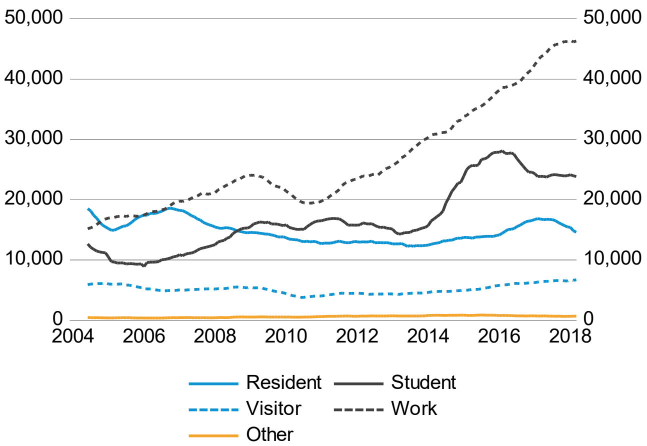


Source: Statistics New Zealand

Arrivals of non-New Zealand citizens by visa type (Figure 15) show that student visas have levelled off after pulling back from their peak. This is largely due to the tightening of English standards at the end of 2015 as well as the crackdown on illegal migration practices and fraudulent education providers.

Arrivals on work and resident visas show some signs of peaking with annual arrivals falling slightly over the past couple of months.

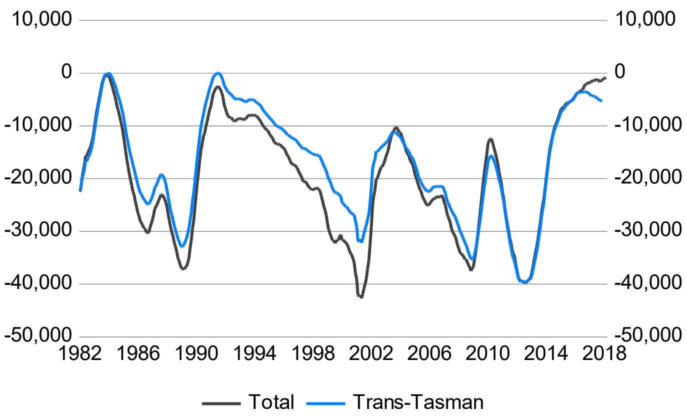
Figure 15 - Annual non-New Zealand citizen Arrivals by visa type



Source: Statistics New Zealand

Since 1980, net migration of New Zealand citizens has remained in negative territory ie, a net outflow (Figure 16). Most of the citizen flows are trans-Tasman (Figure 17). Comparing figures 16 and 17 reveals that most of the movements in annual citizen net migration are driven by the highly volatile outflow of New Zealanders to Australia.

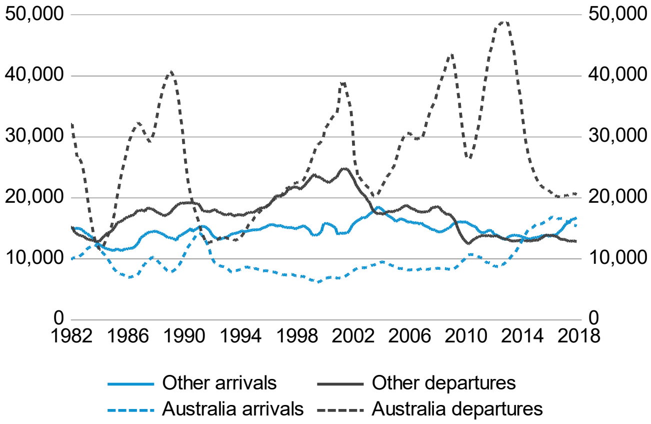
Figure 16 - Annual Trans-Tasman and total net New Zealand citizen migration



Source: Statistics New Zealand

As the mining boom lost momentum, New Zealand citizen departures to Australia sharply declined over 2013-2016 and have been stable at around 20,000 since then. The net flow of New Zealand citizens to and from countries other than Australia has been broadly stable since the early 2000s, but there is now a slight net inflow, offsetting the slight increase in the outflow to Australia (Figure 17).

Figures 17 - Annual New Zealand citizen flows by country of origin and destination



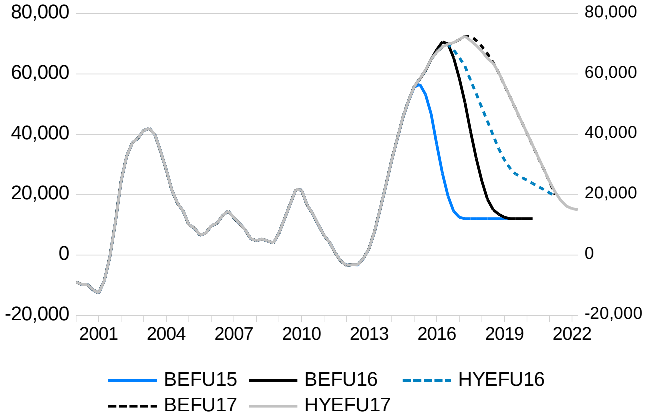
Source: Statistics New Zealand

2 Why do we need to revise our migration forecast? How do the forecasts of other institutions compare to ours?

Our previous forecasts relied on the assumption that future outturns of net migration revert back to the historic long term average sourced from Statistics New Zealand median population projection. As net migration continued trending upwards (Figure 13), albeit cyclically, our forecast of net migration was consistently below the outturns (Figure 18).

The continued improvements in New Zealand's educational system, work conditions, and overall economic atmosphere, led us to believe that arrivals would be permanently higher relative to their long-term average. In other words, net migration will continue trending upwards in the long run. These factors motivated the Treasury to review the migration forecast using other methods.

Figure 18 - Treasury's historical forecasts of annual net migration[2]

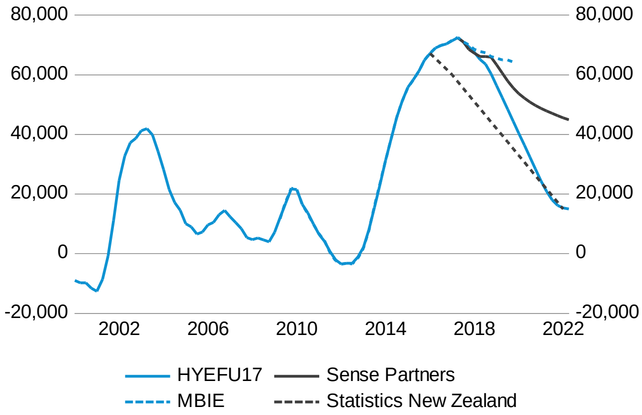


Source: New Zealand Treasury

There is no consensus regarding the optimal method for forecasting migration. Each method has a different purpose. Figure 19 plots some of the forecasts of several institutions including the Treasury. Sense Partners forecast is based on the average of five models that account for the economic drivers of migration such as wage differentials and real exchange rates.[3]

Statistics New Zealand projections are based on the long-term average of historic net migration. The projections are updated every three years. MBIE's forecast is updated quarterly and relies on certain assumptions about the future movements in the component variables of net migration as well as their historical trends.

Figure 19 - Annual forecasts of net migration by institution

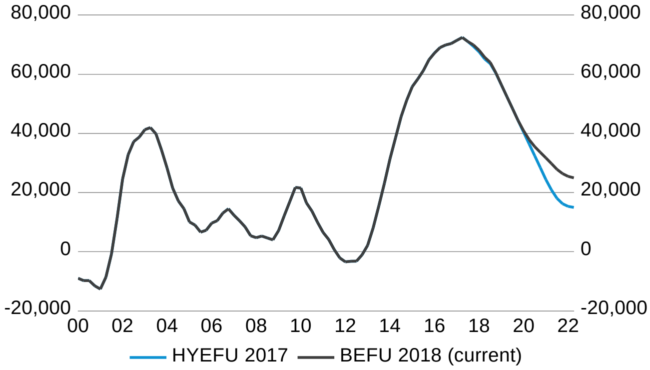


Source: Statistics New Zealand, MBIE, Sense Partners, and the Treasury

3 What is the current migration forecast?

The Treasury forecasts net migration to reach 25,000 by June 2022. Our current end of period forecast is 10,000 higher than forecast in HYEFU 2017 (Figure 20).

Figure 20 - BEFU18 vs. HYEFU17 net migration forecasts



Source: The Treasury

Due to the recent trends in net migration (Figure 13), we expect net migration to gradually decline within the forecast horizon, but not to long-term averages. On the other hand, we believe the forecast of Sense Partners may be a little too strong. Our best judgement is that net migration will lie between the forecasts of Sense Partners and the projections of Statistics New Zealand.

2 BEFU stands for *Budget and Economic Fiscal Update*. HYEFU stands for *Half Year Economic and Fiscal Update*.

3 Sense Partners study was commissioned by the Treasury to provide alternative population and migration forecasts. The report is available here.

Departures of non-New Zealand citizens have driven the fall of net migration over recent months. We expect this outflow to increase as some of the record high arrivals of non-New Zealand citizens in recent years start to leave. We expect non-citizen arrivals on work and resident visas to decline in the medium run compared to their current levels. Data in 2018 show modest declines in resident and work visas.

There is a large degree of uncertainty surrounding the flow of New Zealand citizens to Australia. Relative economic and labour market conditions remain important in driving trans-Tasman flows. We anticipate an increase in New Zealand departures to Australia but not to the extent seen recently.

4 What do the changes for migration assumptions mean for other variables?

The new migration forecast assumption adds almost 20,000 net migrants over the forecast period relative to HYEFU 2017, mostly in the latter years. The increase in population feeds into higher house prices, which boosts growth through higher consumption (wealth effects) and residential investment. The increase in residential investment results in more hiring and stronger business activity. The changes to our forecasts due to the change in migration assumptions are fairly small.

Contact for enquiries:

The Treasury
PO Box 3724, Wellington
NEW ZEALAND

information@treasury.govt.nz
Tel: +64 4 472 2733
Fax: +64 4 473 0982

New Zealand Key Economic Data

Quarterly Indicators

		2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.7	0.4	0.7	0.9	0.6	0.6	...
	ann ave % chg	3.9	4.0	3.7	3.4	3.0	2.9	...
Real private consumption	qtr % chg[1]	1.5	0.9	1.0	1.0	1.0	1.2	...
	ann ave % chg	4.9	5.0	5.4	5.2	4.7	4.5	...
Real public consumption	qtr % chg[1]	1.0	1.2	1.0	1.3	2.5	-0.1	...
	ann ave % chg	1.3	1.7	2.0	3.2	4.2	4.7	...
Real residential investment	qtr % chg[1]	-0.5	0.3	-1.6	-0.5	3.0	0.5	...
	ann ave % chg	11.7	11.8	9.5	5.0	2.5	0.6	...
Real non-residential investment	qtr % chg[1]	1.2	0.7	0.8	1.1	0.9	3.8	...
	ann ave % chg	2.9	4.1	3.9	3.8	4.1	4.5	...
Export volumes	qtr % chg[1]	-0.9	-2.2	0.2	5.1	0.8	0.0	...
	ann ave % chg	3.0	1.6	0.7	0.0	0.6	2.5	...
Import volumes	qtr % chg[1]	1.9	1.3	1.2	0.6	2.5	3.9	...
	ann ave % chg	1.8	3.4	5.1	6.0	6.1	6.6	...
Nominal GDP - expenditure basis	ann ave % chg	5.2	6.0	6.1	6.4	6.9	6.5	...
Real GDP per capita	ann ave % chg	1.8	1.8	1.6	1.2	0.8	0.7	...
Real Gross National Disposable Income	ann ave % chg	4.4	5.3	4.8	4.5	4.4	3.5	...
External Trade								
Current account balance (annual)	NZ$ millions	-6,577	-5,985	-7,156	-7,145	-7,013	-7,722	...
	% of GDP	-2.5	-2.2	-2.6	-2.6	-2.5	-2.7	...
Investment income balance (annual)	NZ$ millions	-7,611	-7,133	-7,700	-7,952	-8,471	-9,399	...
Merchandise terms of trade	qtr % chg	-1.2	5.8	3.9	1.1	1.3	0.8	...
	ann % chg	-1.2	6.7	6.5	9.7	12.6	7.3	...
Prices								
CPI inflation	qtr % chg	0.3	0.4	1.0	0.0	0.5	0.1	0.5
	ann % chg	0.4	1.3	2.2	1.7	1.9	1.6	1.1
Tradable inflation	ann % chg	-2.1	-0.1	1.6	0.9	1.0	0.5	-0.4
Non-tradable inflation	ann % chg	2.4	2.4	2.5	2.4	2.6	2.5	2.3
GDP deflator	ann % chg	1.4	4.1	3.8	3.0	3.8	2.9	...
Consumption deflator	ann % chg	0.1	0.7	1.6	1.2	1.5	1.4	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	1.1	0.9	1.0	0.0	2.2	0.5	...
	ann % chg[1]	6.1	5.8	5.7	3.1	4.2	3.7	...
Unemployment rate	%[1]	4.9	5.3	4.9	4.8	4.6	4.5	...
Participation rate	%[1]	70.0	70.6	70.6	70.1	71.1	71.0	...
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.5	0.4	0.4	0.4	0.6	0.4	...
	ann % chg	1.7	1.6	1.6	1.7	1.8	1.8	...
QES average hourly earnings - total[5]	qtr % chg	0.5	-0.1	0.5	0.6	1.2	0.8	...
	ann % chg	1.7	1.3	1.5	1.6	2.2	3.1	...
Labour productivity[6]	ann ave % chg	-0.3	-1.3	-2.7	-1.6	-1.5	-0.6	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	0.5	1.4	1.3	1.9	0.6	1.8	...
	ann % chg	5.3	4.9	4.9	5.2	5.2	5.6	...
Total retail sales volume	qtr % chg[1]	1.0	1.4	1.4	1.8	0.3	1.7	...
	ann % chg	5.3	4.8	5.4	5.8	4.6	5.4	...
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	108	113	112	113	112	107	111
QSBO - general business situation[4]	net %	25.7	28.3	17.1	17.8	5.2	-11.8	-10.7
QSBO - own activity outlook[4]	net %	39.2	27.0	20.6	18.4	35.2	18.7	10.9

Monthly Indicators

		2017M09	2017M10	2017M11	2017M12	2018M01	2018M02	2018M03
External Sector								
Merchandise trade - exports	mth % chg[1]	4.4	4.5	-0.7	15.2	-15.9	2.5	...
	ann % chg[1]	9.4	16.1	19.1	24.7	8.9	11.1	...
Merchandise trade - imports	mth % chg[1]	5.8	6.4	4.7	-4.8	0.6	-5.6	...
	ann % chg[1]	2.1	14.3	27.0	10.8	18.7	4.6	...
Merchandise trade balance (12 month total)	NZ$ million	-2925	-2967	-3466	-2851	-3279	-3019	...
Visitor arrivals	number[1]	309,600	315,860	323,640	314,180	314,580	325,950	318,950
Visitor departures	number[1]	312,750	319,550	322,350	324,320	314,540	319,330	327,240
Housing								
Dwelling consents - residential	mth % chg[1]	-1.9	-9.9	9.4	-9.5	0.0	5.7	...
	ann % chg[1]	6.0	-1.0	8.6	-1.6	9.4	-0.2	...
House sales - dwellings	mth % chg[1]	-6.6	5.1	8.7	-1.2	4.8	0.3	-4.5
	ann % chg[1]	-22.8	-13.0	-6.1	-6.9	5.5	3.9	-9.9
REINZ - house price index	mth % chg	0.5	0.7	0.7	0.5	0.4	0.6	0.5
	ann % chg	3.8	3.4	3.5	3.7	3.5	3.9	4.2
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.3	0.5	1.2	0.5	1.6	-0.2	1.0
	ann % chg	2.9	1.3	4.3	3.3	3.4	3.3	6.0
New car registrations	mth % chg[1]	-0.5	3.3	4.9	-8.4	2.3	-8.1	-4.0
	ann % chg	5.5	7.3	12.1	4.7	6.2	-4.2	-11.9
Migration								
Permanent & long-term arrivals	number[1]	10,550	10,960	10,860	10,980	11,450	10,180	10,860
Permanent & long-term departures	number[1]	5,270	5,300	5,180	5,270	5,210	5,260	5,380
Net PLT migration (12 month total)	number	70,986	70,694	70,354	70,016	70,147	68,943	67,984
Commodity Prices								
Brent oil price	US$/Barrel	56.15	57.51	62.71	64.37	69.08	65.32	*66.02*
WTI oil price	US$/Barrel	49.83	51.60	56.66	57.93	63.66	62.21	*62.76*
ANZ NZ commodity price index	mth % chg	1.7	2.5	1.4	-2.8	-3.0	2.4	2.0
	ann % chg	13.3	13.8	11.9	6.7	4.5	6.4	5.0
ANZ world commodity price index	mth % chg	0.8	-0.3	-0.9	-1.9	0.7	2.8	1.2
	ann % chg	11.5	10.4	6.0	3.2	4.1	5.0	5.8
Financial Markets								
NZD/USD	$[2]	0.7246	0.7062	0.6888	0.6953	0.7255	0.7312	*0.7257*
NZD/AUD	$[2]	0.9089	0.9060	0.9034	0.9110	0.9123	0.9277	*0.9343*
Trade weighted index (TWI)	June 1979 = 100[2]	75.85	74.73	73.11	73.48	74.90	75.09	*74.72*
Official cash rate (OCR)	%	1.75	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill rate	%[2]	1.95	1.94	1.92	1.88	1.88	1.91	*1.93*
10 year govt bond rate	%[2]	2.92	2.97	2.85	2.76	2.88	2.97	*2.89*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	0.0	-10.6	-39.3	-37.8	...	-19.0	-20.0
ANZ - activity outlook	net %	29.6	22.0	6.5	15.6	...	20.4	21.8
ANZ-Roy Morgan - consumer confidence	net %	129.9	126.3	123.7	121.8	126.9	127.7	128.0
Performance of Manufacturing Index	Index	57.8	57.4	57.6	51.2	54.2	53.3	52.2
Performance of Services Index	Index	56.0	55.7	56.5	56.0	56.0	55.3	58.8