

August 2018

Executive Summary

- ▶ **Solid retail sales growth to underpin private consumption growth in the June quarter**
- ▶ **RBNZ left the OCR at 1.75% in August and forecast no change until 2020**
- ▶ **Less support for growth from easing net migration inflows and declining commodity prices**
- ▶ **Global growth remains solid but rising trade tensions are a threat**

Total retail sales volumes rose 1.1% (sa) in the June quarter, suggesting real private consumption will be stronger than our BEFU estimate. While private consumption growth has steadily slowed in recent years we expect the Families Package is likely to provide a boost in coming quarters. Overall, our BEFU pick of 0.7% GDP growth in the June quarter is unchanged.

The Reserve Bank left the OCR at 1.75% in August. The RBNZ pushed out the forecast timing of the next increase in the OCR until 2020 and reiterated that the next move could be up or down. Markets have now priced in a small possibility of a cut to interest rates in the next year.

Trade data in July showed strong growth in exports and showed the recent strength in imports continuing. The increase in exports was broad based and appears to be driven by a mix of volumes and prices. However, further falls in commodity prices are like to restrain export value growth going forward.

Global growth remained solid in the first half of 2018. Growth in the major advanced economies remained above estimates of potential growth, which is reflected in the continued downward drift in unemployment rates. In China, growth remained strong in the June quarter overall, although recent data point to some easing in activity. Elsewhere in east Asia growth remains strong.

Increasing trade tensions between the US and China are raising the risks of significant adverse impacts on the real economy from uncertainty and reduced investment.

This month's special topic discusses alternative proteins, artificial meats, and the implications for New Zealand's agricultural sector.

Analysis

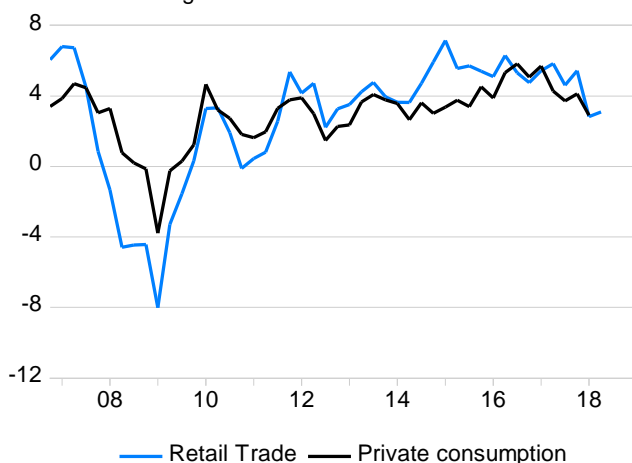
Indicators of June quarter GDP growth have, on balance, been more positive recently with strong growth in retail sales and exports. However persistent strength in imports and weak business confidence provides some downside risk. At this stage, this data leaves our pick of 0.7% GDP growth in the June quarter unchanged from the Budget Economic and Fiscal Update (BEFU). Nonetheless, the level of GDP would be lower than the BEFU forecast given the weak outturn in the March quarter.

Solid consumption growth in June quarter...

Total retail sales volumes rose 1.1% (sa) in the June quarter, following 0.3% growth (revised from 0.1%) in the March quarter. On an annual basis, total retail sales volumes were up 3.1%, compared with 2.8% in the March quarter (Figure 1). Total sales values (prices and volumes) were up 3.8%, compared to 3.4% in the March 2018 quarter.

Retail sales volume growth suggests real private consumption will be stronger than our 0.7% BEFU estimate. Our updated estimate is around 1.2%. This would provide an offset to the negative consumption growth seen in the March quarter. Annual private consumption growth has declined steadily in the past year, which we expect to continue as population growth slows. However, the Families Package is likely to provide a boost to private consumption growth.

Figure 1: Consumption and retail spending
Annual % change



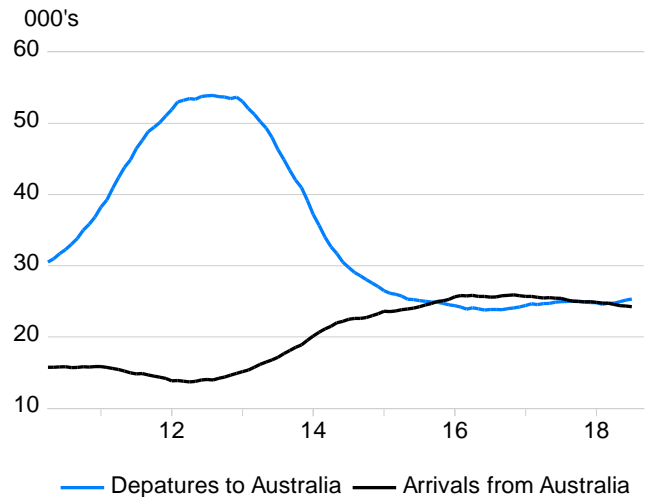
Source: Stats NZ

...but slower population growth poses a risk

Net migration inflows continued to ease from the peak of 72,500 in July 2017. In July 2018, annual net PLT migration eased to 63,779, down from 64,995 in June. For the month of July, net migration inflows fell from 4,840 in June to 4,720. Recent declines have been driven, in part, by a pick-up in departures to Australia,

which have started to rise above arrivals from Australia (figure 1). The annual outturn in July was weaker than our BEFU forecast of annual net migration 64,000 by the end of the September quarter. Lower population growth will weigh on aggregate GDP growth and private consumption in coming quarters.

Figure 2: Annual Migration to/from Australia



Source: Stats NZ

The OCR to stay flat for longer for longer...

The Reserve Bank of New Zealand (RBNZ) released its latest OCR decision and Monetary Policy Statement in August. As expected, the RBNZ left the OCR at 1.75%. The Bank now expects to keep the OCR on hold until September 2020, a year later than forecast in the May Monetary Policy Statement (MPS). The RBNZ forecasts growth to be 2.9% for the year to March 2019 (down from 3.3% in the May MPS). The RBNZ expects annual CPI inflation to reach 2.0% in the March quarter 2021 (one quarter later than in the May MPS). Addressing its dual target mandate, the Bank reiterated that employment is roughly around its 'maximum sustainable level'.

Markets are now pricing the possibility of a rate cut over the next year. Commentators have noted that lower wholesale interest rates imply mortgage rates are more likely to be lowered than raised. Westpac has cut its 5-year mortgage rates by 60bps. Lower mortgage interest rates could see a pick-up in housing demand and higher consumer spending.

ANZ's Business Outlook survey showed that headline business confidence fell again in August, though own activity perceptions remained stable. Business confidence remains a risk to business investment and economic growth.

...which may contribute to housing demand

National house prices rose slightly in July (up 0.4% (sa)) following a flat outturn in June. Seasonally adjusted Auckland house prices continued to fall (down 0.2%) and were flat unadjusted. The ex-

Auckland House Price Index rose 0.9% in the month. On an annual basis, national prices rose 4.9% with Auckland prices increasing 1.6%. The ex-Auckland index was up 8.0% on an annual basis. The number of house sales continued to fall, down 3.8%, following a 6.5% fall in June.

The outlook for demand in the housing market is uncertain with the influence of Government policies, such as loss ring fencing, foreign buyer restrictions, and bright line extensions expected to weigh on housing demand. On the other hand, strong, albeit slowing, population growth and low mortgage interest rates are expected to support demand.

Building consents fell by 10.6% in the month of July, followed a (revised) 8.2% (sa) fall in June. However, new dwelling consents are still up 7.9% in the year to July 2018.

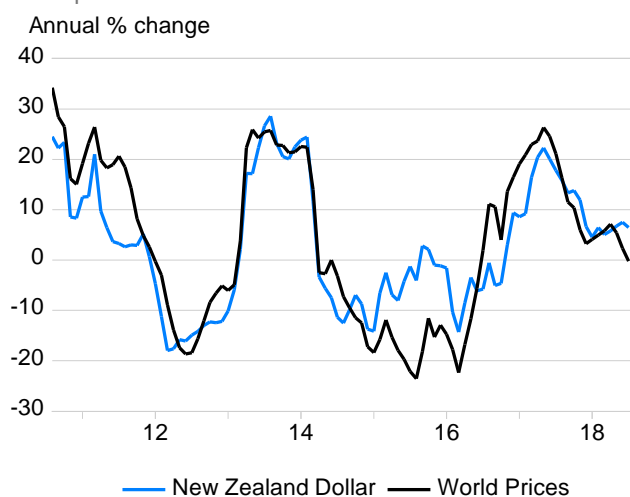
Trade data looks stronger for the September quarter

As noted in the last MEI, trade data for the June quarter showed strong growth in exports in the June quarter, following weakness in the March quarter. This suggests net exports may be less of a drag on GDP growth in the June quarter.

Merchandise trade data for July has continued this theme with additional strength in export growth while imports have remained high. The monthly merchandise trade deficit improved from \$665m to \$347m in July as exports increased by 6.3% (sa) and imports fell by 0.4% (sa). Export values were driven by dairy (up 20.1%) and meat exports (up 14.0%). On an annual basis, the trade deficit was the widest in over nine years, at \$4,441m. This has largely been driven by strength in imports of petroleum products, as well as mechanical machinery and equipment, but has been partially offset by strength in dairy exports. In the year to July, exports were up 11.3% and imports were up 12.9%.

Recent falls in the GDT price index, suggest some of the strength in dairy values will unwind in the coming months. The Global Dairy Trade (GDT) price index fell 3.1% in August. Nine of the last twelve auctions have resulted in falls in the GDT index. The index is down 12.1% since August 2017. Other commodity prices have followed suit so far in the September quarter with ANZ's World Commodity Price Index down 3.2% in July. While merchandise trade data for July suggests that exports may have increased in price we expect this to unwind in the next few months given the recent weakness in commodity prices. However, declines in the New Zealand dollar during August will help offset the lower commodity prices (Figure 3).

Figure 3: ANZ commodity price index in NZD terms and world prices



Source: Haver Analytics

Global growth remains solid...

Global growth remained solid in the first half of 2018. Growth in the major advanced economies remained above estimates of potential growth, which is reflected in the continued downward drift in unemployment rates. In China, growth remained strong in the June quarter overall, although recent data point to some easing in activity. Elsewhere in east Asia growth remains strong (Table 1).

Headline inflation has increased and is close to target in the major advanced economies of Japan, the US and the euro area. Core inflation in the US has also increased to be close to target but in the other major advanced economies core inflation is little changed and remains below target.

Table 1: Trading partner growth remains solid

	2018q1	2018q2
Total adv. economies	2.5	--
Australia	3.1	--
US	2.6	2.8
Japan	1.1	1.0
Euro area	2.5	2.2
UK	1.2	1.3
Canada	2.3	--
Total Asia	5.9	--
China	6.8	6.7
Korea	2.8	2.9
Singapore	4.5	4.0
Taiwan	3.2	2.9
Malaysia	5.4	4.5
Indonesia	5.1	5.3
Thailand	4.9	4.6
Hong Kong	4.6	3.5
Philippines	6.7	5.9
India	7.7	--
Total TPG growth	4.1	--

Sources: Haver

... but trade tensions are rising...

Increasing trade tensions between the US and China dominated headlines for much of the month. The US announced tariffs of 25% on US\$16 billion in goods, which the Chinese reciprocated, following actions in July to impose tariffs on US\$34 billion of goods. US-China trade talks concluded in late August, without signs of meaningful progress, raising the risk that US tariffs of 25% on a further US\$200 billion of Chinese imports may be announced shortly after public consultation ends on 5 September 2018. China has announced that it will retaliate with tariffs of 5% – 25% on US\$160 billion of US imports. In addition, the US has indicated it intends to impose tariffs on automobile imports from around the world.

Meanwhile, the US and Mexico announced that they had reached a preliminary agreement to solve some of their trade disputes. The next step in reforming the North American Free Trade Agreement (NAFTA) is to re-open negotiations with Canada.

The direct impact on global GDP of the measures implemented so far are expected to be minor as they affect only a small share of global goods trade. The impacts of further tariff measures are likely to be more significant, but still modest. However, as trade tensions escalate so too do the risks of significant adverse impacts on the real economy from uncertainty and reduced investment.

August Carstens, head of the Bank of International Settlements, warned that further escalation of trade protectionism risks unravelling the financial interdependencies that boost trade and investment. "Protectionism could set off a succession of negative consequences. If all the elements were to combine, we could face a perfect storm."

Investor concerns around the impacts of the intensifying trade dispute with China has contributed to lower equity prices and a weakening yuan (CNY) (Figure 4). To dampen the forces pushing the CNY lower, the People's Bank of China (PBC) has resumed the use of a "counter cyclical" component in calculating the currency's daily reference and introduced a 20% reserve requirement on foreign exchange forward transactions. There is little evidence to date of a marked pick up in capital outflows from China and China's foreign currency reserves have remained stable. Other emerging market economies with significant economic and political challenges, including Turkey, Brazil and Venezuela, have experienced significant financial market volatility.

Figure 4: Chinese equities and exchange rate have weakened



Sources: Haver

...prompting greater policy support in China...

Indicators of growth in the Chinese economy show growth has continued to ease. Industrial production was steady at 6.0% year-on-year, but retail sales and fixed asset investment both eased, the latter driven by reduced infrastructure investment, in line with the government's desire to contain growth in local government debt and reduce financial risks. Meanwhile, manufacturing output and property sector activity strengthened.

In response to weaker growth in some parts of the economy and concerns about escalating trade tensions, the Chinese authorities have increased fiscal policy support, including personal tax cuts, and the PBC has implemented measures to support market liquidity and ease financial conditions. At the same time, the authorities have taken further steps to contain the build-up of financial risks, including improvements in transparency and financial management practices.

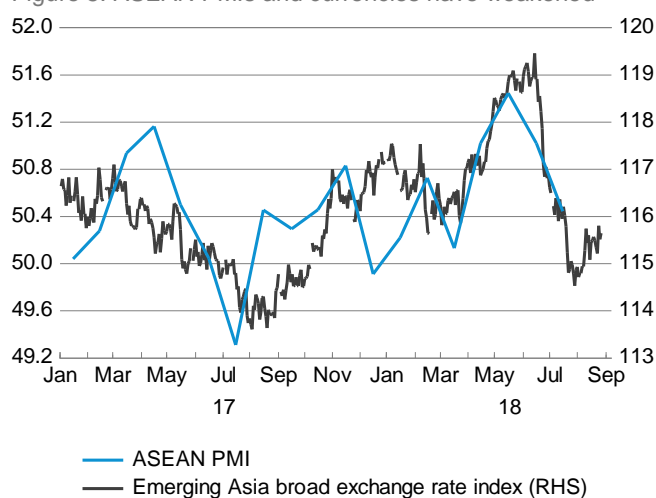
...and posing risks to growth across Asia

Growth across the rest of Asia (excluding Japan and China) remains strong after picking up over the past two years. GDP growth in South Korea and Indonesia has been steady this year, but has slowed in some other economies (Table 1). Domestic demand has become a more important driver of growth in the region recently, following an upswing in export growth over the second half of 2017. Industrial production and survey measures of export orders generally remain strong. Inflation generally remains subdued in the region and monetary policy accommodative, although some central banks have increased policy rates in recent months.

These economies could face headwinds from further trade protection measures given their role in global value chains that often include China. Trade risks may be driving the most recent PMI surveys across south-east Asia, which show a decline in manufacturing sentiment (Figure 5). While the movements to date have not been particularly large, the prospect of further interest rate rises in the US, mounting trade and geo-political tensions are likely to maintain pressure on the region's exchange rates and financial markets (Figure 5).

Expectations for growth in South Korea have been downgraded. However, the government's latest budget proposals contain a significant fiscal boost, which should help stabilise growth in 2019.

Figure 5: ASEAN PMIs and currencies have weakened



Sources: Haver (ASEAN = Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam)

US interest rates likely to rise further

The US Federal Reserve left the policy interest rate unchanged at 1.75%-2.00% at its August policy meeting, following July's 25 basis point increase. Federal Reserve projections show the federal funds rate may be increased six more times by the end of 2020 to around 3.5%. Current financial market pricing implies the Fed will likely raise rates at least twice more this year. However, the market is pricing a lower 2020 rate of around 3.00%, suggesting rates may not rise much further in 2019 and 2020.

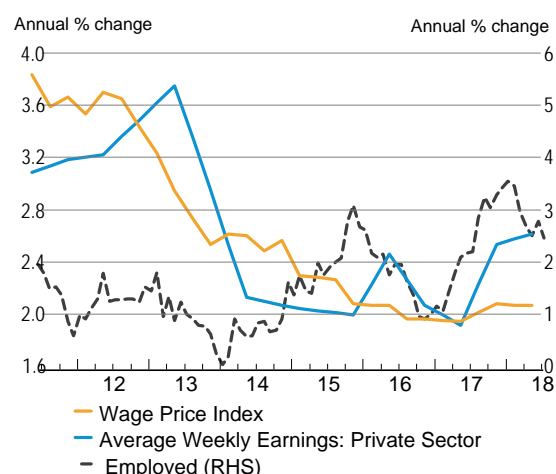
Australian outlook remains positive...

Political uncertainty dominated Australian headlines over the second half of the month, as the Prime Minister faced two leadership challenges. The second challenge resulted in Scott Morrison taking over as leader of the Liberal National Party (LNP) and Prime Minister. Expectations are that the general policy direction of the government will not alter significantly. However, the leadership turmoil has reduced public support for the LNP, who now trail the opposition Labour Party by a significant margin, according to recent polling. Federal elections are required by May 2019.

Meanwhile, economic data released over the month showed the Australian economy continued to perform well. June quarter retail sales volumes were firmer, suggesting household spending recovered somewhat from a soft March quarter. Construction activity rose strongly, up 1.6% in the quarter, as residential investment rebounded from a couple of soft quarters and growth in non-residential investment remained firm. The external sector also continued its strong run, as imports contracted and export prices rose in the quarter. Surveyed business conditions eased in July to levels that are close to the average over the past 3 to 4 years, which is high by historical standards. Nonetheless, the survey appears to be signalling a reduced prospect of a further pickup in activity over the remainder of the year.

Employment growth slowed in July, but the annual rate of increase remained strong, increasing 2.5% over the year (Figure 6). The unemployment rate eased to 5.3% in July from 5.4% in June, but remains above most estimates of full employment, which are centred on 5.0%. Annual wage growth picked up, but remains subdued at 2.1%. Average earnings per week were 2.5% higher in the June 2018 quarter than the same quarter a year ago, the fastest annual increase since June 2014. Ongoing strength in employment, combined with signs of faster wage growth and recently announced personal tax cuts is supporting the outlook for household consumption, which has been a key source of uncertainty for the Australian economic outlook over recent years.

Figure 6: Australian employment and wages



Source: Haver

...but drought poses risks

Severe drought is being experienced in some parts of the country, particularly Queensland, where 57% of the state has been officially drought-declared. Destocking by farmers has resulted in marked declines in domestic Australian beef prices, although lamb prices have helped up, and downward pressure on international meat prices has been limited so far. Agricultural production is

around 3.0% of total Australian GDP. Some analysts estimate severe drought could reduce GDP growth by around 0.5%-points.

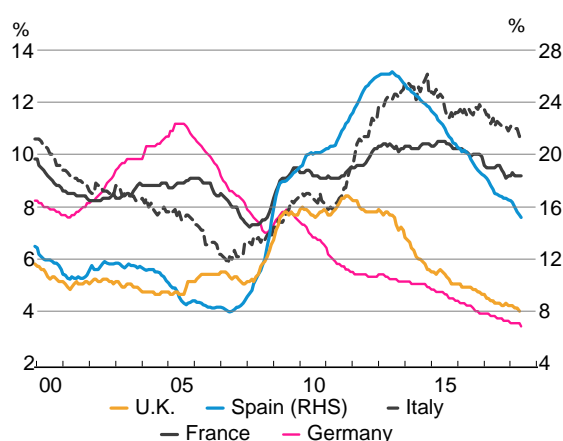
The Reserve Bank of Australia's (RBA) August Monetary Policy Statement reiterated the Bank's view that GDP growth would be a little above 3.0% in both 2018 and 2019, which would further reduce spare capacity in the economy. The RBA considered that holding the cash rate steady at 1.5% would help to gradually reduce unemployment and increase inflation. Financial market pricing implies that the RBA is likely to remain on hold for at least the year ahead.

Growth in other advanced economies continues to reduce unemployment rates...

In Japan, the initial GDP release for the June quarter showed growth rebounded 0.5% following the weak outcome in the March quarter. Annual growth was stable at 1.0%. Real employee compensation grew 3.8% in the June year, the fastest since 1997, reflecting the tight labour market.

In the euro area, GDP increased 0.4% in the June quarter, the same growth rate as in the March quarter. On an annual basis growth eased to 2.2%, down from 2.5% in the March quarter and 2.7% at the end of 2017. Wages seem to be reacting to reduced labour market slack, with negotiated wages up 2.2% in the June year, up from 1.7% in March, and the fastest pace since 2012. Unemployment in Germany fell to a new record low 3.5% in the June quarter, although unemployment remains high in other major euro area economies (Figure 7).

Figure 7: European unemployment rates



Sources: Haver

The OECD's recently released Euro Area Economic Survey projects growth to ease somewhat but remain strong over 2018 and 2019. The OECD observe that improved economic conditions are being reflected in growing public confidence towards the monetary union, with surveyed support for the common currency currently at all-time highs. The key challenges facing the euro area are to enhance the resilience of the monetary union to downturns and ensure its long-term sustainability. In particular, the OECD urged the euro area to undertake "ambitious reform through the creation of a common fiscal stabilisation function, which could take the form of an unemployment benefit re-insurance scheme"¹.

In the UK, the latest labour market data showed the unemployment rate declined to 4.0% in June (Figure 7), the lowest since 1975, despite employment growth slowing to an annual rate of 1.0%. Despite the tightening labour market, annual total labour earnings eased 0.1%-points to a nine-month low of 2.4%. GDP grew 0.4% in the June quarter, up from 0.2% in March, as the economy recovered from bad weather in Q1 and benefitted from warm weather in Q2. Annual growth rose 1.3%.

Financial markets have become increasingly attuned to the (negative) risk of a "no-deal" Brexit following reports that the two parties remain some distance apart and limited progress during negotiations. The Irish border issue remains a key sticking point. A no-deal Brexit would not be the "end of the world", according to UK PM May, but the UK Treasury estimates it could reduce GDP by almost 8%. An informal EU summit on 20 September and an EU summit on 18 October are the next major Brexit events.

¹ The full report is available here https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-euro-area-2018_eco_surveys-euz-2018-en

Special Topic: Alternative proteins, artificial meats and the implications for New Zealand's agricultural sector.

New Zealand's sources of growth have diversified in recent decades. However, agriculture and fishing are still an important source of New Zealand's GDP and export growth, representing around 35.3% of exports and 6.4% of GDP.

Therefore, changes in global consumer preferences and diets can be significant for New Zealand farmers. For example, changes in preferences for butter relative to margarine have been a factor in changes in the price of butter in recent years. Another growing consumer preference that has attracted a significant amount of attention in recent years is a shift away from natural sources of protein to artificial sources.

This special topic focuses primarily on the potential for artificial meat, and other meat substitutes, to impact New Zealand's meat exports. However, the risk to the dairy industry from plant based milks is also a relevant issue, having already materialised to some extent.

What is artificial meat?

In recent years the prospect of artificial meat or meat substitutes have gained consumer attention. A 'meat substitute' refers to a product that may be used to replace meat as a key protein in a meal. 'Artificial meat' is a product that has been artificially created to replicate the taste, texture or other sensation, of eating meat. A number of meat substitutes have become available to consumers in recent years, including soy and tofu based products and a growing range of artificial meats. This puts a portion of New Zealand exports at risk if these substitutes were to be adopted widely. The artificial meats currently available are generally synthetic products created using protein from plant materials, such as pea protein.

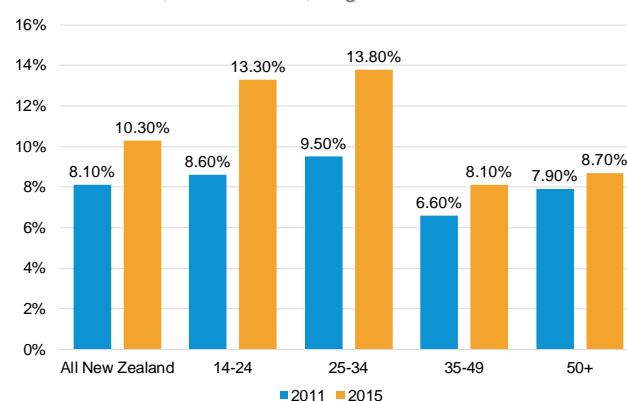
One recent example of the potential market disruption is Air New Zealand offering the 'Impossible burger', a burger made with synthetic meat, on flights between Los Angeles and Auckland.

Other products on the horizon include lab grown meat such as that being developed by Memphis Meat. Lab grown meats are genuine meat products grown from animal cells (without growing a full animal). These meats are generally not consumption ready at this stage. However, they do represent another source of risk with a number of companies expected to release products commercially within the next few years.

What changes have occurred already?

While it may be a number of years before alternative meats are directly competing for the average consumer the market is already shifting at the margins. Research by Roy Morgan shows that the number of New Zealanders "who agree 'The food I eat is all, or almost all, vegetarian'" has increased two percentage points in the four years between 2011 and 2015 (Figure 8). Given the increase was apparent across all sub-groups and concentrated most heavily in younger ages groups, it is likely that this trend will continue.

Figure 8: Percentage of New Zealanders who agree 'The food I eat is all, or almost all, vegetarian'



Sources: Roy Morgan

This shift is even more prevalent in other countries. In Germany, 44% of people now reported eating a 'low meat diet' in 2017, up from 26% in 2014. While in the US 6% of people now report to be vegan, up from 1% in 2014².

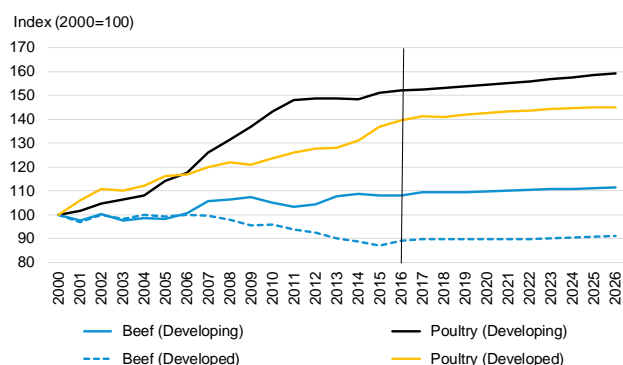
The change in consumer preferences is driven by a wide range of factors. Increasing environmental awareness has meant that some consumers have turned away from natural meat. Agricultural production is often highly water and land intensive (compared with some alternatives) and red meat in particular is a significant source of greenhouse gas emissions. Consumers are also considering animal welfare to a greater extent (seen through the push for free range eggs). Finally, health concerns are being cited by some as a reason to seek other proteins instead of natural meat.

² https://www.researchandmarkets.com/research/235vg9/top_trends_in

Overall, a fall in meat consumption per capita is still not observed in the data, rather households in developed countries appear to be switching away from beef and towards poultry as the main source of meat (Figure 9).

Meanwhile, meat consumption in developing countries continues to lift, as incomes rise. The increase in consumption has been concentrated in poultry for developing countries, though beef consumption increased to a lesser extent. For example, between 2010 and 2015, Chinese per capita poultry consumption increased by 7%.

Figure 9: Meat consumption per capita in developed and developing countries (actuals and forecast)



Source: OECD, The Treasury

How will it affect our agricultural sector?

The New Zealand meat industry is perhaps in a better position than other countries to respond to a shift. That is, for the most part, New Zealand meat is considered a 'premium' product. If meat alternatives become cheaper than standard meat, it is suggested that the lowest value products will be crowded out first. This suggestion is based on the idea that standard meat will become a luxury good and will therefore need a high level of quality. This ignores the lower quality cuts of meat that are largely used as a component in hamburger patties. Additionally, some reasons for changing consumer preferences internationally may include environmental reasons - New Zealand may be able to capitalise on its 'clean green' image to capture a larger portion of the market, although a focus on 'food miles' could be a disadvantage.

Overall, it is unlikely that the potential impact to New Zealand's meat industry will cause significant disruption within the Treasury's forecast period (the next five years). The OECD forecasts meat consumption per capita to remain roughly constant in developed economies such as the European union and in the US, over the next ten years (Figure 9).

Meat consumption per capita in developing economies is forecast to increase as household incomes rise eg, beef consumption per capita in China is forecast to increase by 10% between 2017 and 2022. However, towards the end of the forecast period and for some time after it is certainly a risk that the meat industry in New Zealand will face and increasing pressure from artificial meat products.

What are the signs to watch?

If alternative proteins are going to place pressure on the New Zealand agriculture industry, how will we know it's happening? What data may provide an early signal?

One important factor will be the cost of these alternatives. Currently, while some artificial meats are available to consumers they generally cost more than natural meats. However, as production increases and technology is improved it is likely that the cost will decline. For example, the cost of Memphis meats lab grown meat has declined from an initial cost of around \$325,000 for a burger patty in 2013 to around \$11.36 per patty currently³. If the cost per unit for lab grown meat, or other artificial meats declines below the cost of natural meat we may see price sensitive consumers, and some fast food chains, changing their purchasing decisions. White Castle, a large fast food chain in the USA is currently selling the 'Impossible Burger' at around a third of its USA locations.

Once cost is no longer a prohibiting factor, commercial availability will likely be the key issue. Most artificial meats are not widely available to consumers at present. However, the composition of supermarket shelves can change quickly. For example, sales of plant based milks in the US increased 60% from 2012 to 2017⁴.

How will New Zealand respond?

Beef and Lamb New Zealand produced a report looking at the future for meat and potential for changes in consumer preferences⁵. They outline a range of reasons why alternative meats are gaining traction including environmental, health and technological improvements. They suggest four possible scenarios, outlined below.

Red meat is pushed to the side of the plate

- ▶ In this scenario red meat has fallen out of favour and is only used in niche circumstances (eg, for consumption by infants or in medical application)

³ Beef and Lamb New Zealand report

⁴ <http://www.mintel.com/press-centre/food-and-drink/us-non-dairy-milk-sales-grow-61-over-the-last-five-years>

⁵ <https://beeflambnz.com/news-views/alternative-proteins-research-published>

Red meat is the specialty choice

- ▶ Red meat becomes a luxury good and is rarely consumed as alternative proteins are cheaper

Red meat is the reluctant choice

- ▶ While consumers have largely turned away from red meat, for environmental and ethical reasons, it is still necessary for most consumers due to a lack of other affordable options.

Red meat is the everyday choice

- ▶ Red meat is widely consumed and remains a staple of most consumers' diets.

In the first three scenarios the market for red meat is fixed or falling. The report poses different responses for the red meat industry depending on which scenario occurs.

Conclusion

While, artificial meats may not be in a position to significantly disrupt the market at present, they do pose a risk. This risk is not sufficiently certain in timing or magnitude to meaningfully incorporate into the Treasury's economic forecasts at this stage. However, it is a risk that the Treasury will continue to monitor.

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

		2016Q4	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg ¹	0.4	0.8	0.9	0.6	0.6	0.5	...
	ann ave % chg	4.0	3.7	3.3	3.0	2.8	2.7	...
Real private consumption	qtr % chg ¹	0.8	1.2	0.8	0.9	1.2	0.0	...
	ann ave % chg	5.1	5.5	5.2	4.6	4.4	3.8	...
Real public consumption	qtr % chg ¹	1.1	1.1	1.1	2.7	-0.1	0.5	...
	ann ave % chg	1.6	1.9	3.0	4.2	4.6	4.9	...
Real residential investment	qtr % chg ¹	0.2	-1.2	-0.8	2.9	0.5	-0.2	...
	ann ave % chg	11.8	9.5	5.0	2.5	0.7	0.6	...
Real non-residential investment	qtr % chg ¹	0.5	1.1	1.0	1.1	3.9	0.6	...
	ann ave % chg	4.1	3.9	3.9	4.3	4.8	5.5	...
Export volumes	qtr % chg ¹	-2.2	0.7	4.5	0.6	-0.3	-0.1	...
	ann ave % chg	1.6	0.7	0.0	0.5	2.3	3.9	...
Import volumes	qtr % chg ¹	1.1	1.5	0.5	2.6	3.7	1.2	...
	ann ave % chg	3.4	5.1	6.0	6.2	6.7	7.0	...
Nominal GDP - expenditure basis	ann ave % chg	6.0	6.1	6.4	6.8	6.5	6.0	...
Real GDP per capita	ann ave % chg	1.8	1.6	1.2	0.8	0.7	0.6	...
Real Gross National Disposable Income	ann ave % chg	5.3	4.8	4.5	4.4	3.5	3.4	...
External Trade								
Current account balance (annual)	NZ\$ millions	-5,985	-7,156	-7,145	-7,013	-7,697	-7,910	...
	% of GDP	-2.2	-2.6	-2.6	-2.5	-2.7	-2.8	...
Investment income balance (annual)	NZ\$ millions	-7,133	-7,700	-7,952	-8,471	-9,430	-9,525	...
Merchandise terms of trade	qtr % chg	5.8	3.9	1.1	1.3	1.4	-1.8	...
	ann % chg	6.7	6.5	9.7	12.6	7.9	2.0	...
Prices								
CPI inflation	qtr % chg	0.4	1.0	0.0	0.5	0.1	0.5	0.4
	ann % chg	1.3	2.2	1.7	1.9	1.6	1.1	1.5
Tradable inflation	ann % chg	-0.1	1.6	0.9	1.0	0.5	-0.4	0.1
Non-tradable inflation	ann % chg	2.4	2.5	2.4	2.6	2.5	2.3	2.5
GDP deflator	ann % chg	4.2	3.8	2.9	3.6	3.1	1.3	...
Consumption deflator	ann % chg	0.8	1.6	1.3	1.5	1.5	0.6	...
Labour Market								
Employment (HLFS)	qtr % chg ¹	0.9	1.1	-0.1	2.2	0.4	0.6	0.5
	ann % chg ¹	5.8	5.7	3.1	4.1	3.7	3.1	3.7
Unemployment rate	% ¹	5.3	4.9	4.8	4.6	4.5	4.4	4.5
Participation rate	% ¹	70.5	70.6	70.1	71.1	70.9	70.8	70.9
LCI salary & wage rates - total (adjusted) ⁵	qtr % chg	0.4	0.4	0.4	0.6	0.4	0.3	0.5
	ann % chg	1.6	1.6	1.7	1.8	1.8	1.8	1.9
QES average hourly earnings - total ⁵	qtr % chg	-0.1	0.5	0.6	1.2	0.8	0.9	0.1
	ann % chg	1.3	1.5	1.6	2.2	3.1	3.5	3
Labour productivity ⁶	ann ave % chg	-1.3	-2.7	-1.7	-1.5	-0.7	-0.3	...
Retail Sales								
Core retail sales volume	qtr % chg ¹	1.4	1.5	1.7	0.6	1.7	0.6	1.4
	ann % chg	4.9	4.9	5.2	5.2	5.6	4.6	4.5
Total retail sales volume	qtr % chg ¹	1.4	1.6	1.6	0.3	1.3	0.3	1.1
	ann % chg	4.8	5.4	5.8	4.6	5.4	2.8	3.1
Confidence Indicators/Surveys								
WMM - consumer confidence ³	Index	113	112	113	112	107	111	109
QSBO - general business situation ⁴	net %	28.3	17.1	17.8	5.2	-11.8	-10.7	-20.0
QSBO - own activity outlook ⁴	net %	27.0	20.6	18.4	35.2	18.7	10.9	6.9

Monthly Indicators

		2018M01	2018M02	2018M03	2018M04	2018M05	2018M06	2018M07
External Sector								
Merchandise trade - exports	nth % chg ¹	-16.3	2.8	-2.9	5.9	-1.1	2.1	6.3
	ann % chg ¹	8.6	10.7	4.5	5.5	9.1	4.0	15.8
Merchandise trade - imports	nth % chg ¹	0.9	-5.4	6.9	0.4	-4.3	9.6	-0.3
	ann % chg ¹	18.6	4.9	14.3	14.5	6.3	16.2	21.3
Merchandise trade balance (12 month total)	NZ\$ million	-3286	-3056	-3468	-3815	-3675	-4206	-4441
Visitor arrivals	number ¹	313,880	324,080	318,720	314,700	322,170	310,600	312,320
Visitor departures	number ¹	314,640	319,390	326,890	320,630	315,400	316,680	308,240
Housing								
Dwelling consents - residential	nth % chg ¹	-0.2	6.4	12.8	-3.8	6.7	-8.2	-10.4
	ann % chg ¹	9.4	-0.2	5.3	29.6	21.9	9.1	-0.4
House sales - dwellings	nth % chg ¹	4.8	0.5	-3.4	1.4	-0.7	-6.5	-3.8
	ann % chg ¹	5.5	4.3	-7.6	9.7	5.3	0.6	0.7
REINZ - house price index	nth % chg	0.4	0.6	0.4	-0.2	-0.3	0.0	0.4
	ann % chg	3.5	3.9	4.1	3.7	3.6	3.8	4.9
Private Consumption								
Electronic card transactions - total retail	nth % chg ¹	1.4	-0.3	1.6	-2.2	0.7	0.8	0.7
	ann % chg	4.1	4.0	6.7	1.4	4.2	4.9	4.5
New car registrations	nth % chg ¹	2.7	-8.3	-4.3	-0.4	13.3	-6.2	2.0
	ann % chg	6.2	-4.2	-11.9	-9.0	-0.6	-4.9	-0.7
Migration								
Permanent & long-term arrivals	number ¹	11,470	10,170	10,810	10,510	10,780	10,600	10,600
Permanent & long-term departures	number ¹	5,230	5,290	5,440	5,610	5,700	5,760	5,880
Net PLT migration (12 month total)	number	70,147	68,943	67,984	67,038	66,243	64,995	63,779
Commodity Prices								
Brent oil price	US\$/Barrel	69.08	65.32	66.02	72.11	76.98	74.40	74.25
WTI oil price	US\$/Barrel	63.66	62.21	62.76	66.26	69.99	67.33	70.97
ANZ NZ commodity price index	nth % chg	-3.0	2.4	2.1	1.2	5.0	-1.0	-3.1
	ann % chg	4.5	6.4	5.1	5.8	6.8	7.5	6.5
ANZ world commodity price index	nth % chg	0.7	2.8	1.2	1.0	1.5	-0.9	-3.2
	ann % chg	4.1	5.0	5.8	7.1	5.4	2.3	-0.2
Financial Markets								
NZD/USD	\$ ²	0.7255	0.7312	0.7257	0.7258	0.6953	0.6941	0.6788
NZD/AUD	\$ ²	0.9123	0.9277	0.9343	0.9432	0.9239	0.9265	0.9168
Trade weighted index (TWI)	June 1979 = 100 ²	74.90	75.09	74.72	74.88	73.01	73.50	72.96
Official cash rate (OCR)	%	1.75	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill rate	% ²	1.88	1.91	1.93	2.01	2.02	2.01	1.94
10 year govt bond rate	% ²	2.88	2.97	2.89	2.83	2.78	2.90	2.81
Confidence Indicators/Surveys								
ANZ - business confidence	net %	...	-19.0	-20.0	-23.4	-27.2	-39.0	-44.9
ANZ - activity outlook	net %	...	20.4	21.8	17.8	13.6	9.4	3.8
ANZ-Roy Morgan - consumer confidence	net %	126.9	127.7	128.0	120.5	121.0	120.0	118.4
Performance of Manufacturing Index	Index	55.3	53.4	53.1	59.1	54.3	52.7	51.2
Performance of Services Index	Index	55.9	55.1	58.7	55.7	57.0	52.7	55.2