THE TREASURY
Kaitohutohu Kaupapa Rawa

# Monthly Economic Indicators

New Zealand Government

October 2018

## Executive Summary

- **Business confidence eased further in the September quarter but appears to have stabilised**
- **Annual inflation rose to 1.9% in the September quarter, driven by higher fuel prices.**
- **Global growth prospects eased amid continued trade tensions.**
- **This month's special topic investigates household balance sheet developments.**

Headline business confidence eased further in the September quarter according to NZIER's Quarterly Survey of Business Opinion (QSBO). However, the monthly ANZ Business Outlook (ANZBO) reported that the improvement in confidence seen in September's survey had been sustained in October's survey, albeit at a low level. The ANZ survey also reported that firms' own activity outlook, which tracks real GDP more closely than the headline confidence measure, remained comparatively healthy, with a net 7% of firms expecting improved business conditions to over the year ahead. Nevertheless, gauging the effects of the deterioration in confidence over the past year or so is a key challenge for the Treasury's forthcoming Half-Year Economic and Fiscal Update (to be released on 13 December).

Retail card spending was strong over the quarter, with household incomes supported by the Government's Families Package. Card spending at retail stores rose 2.2% in the September quarter, with spending in the September month up 1.1%. The housing market continues to show reasonable price growth with the REINZ house price index up 0.5% in September, and up 4.0% from September 2017, although sales continued to decline.

Annual Consumer Price Index (CPI) inflation was 1.9% in the year to September, well above our Budget Economic and Fiscal Update (BEFU18) estimate of 1.3%, primarily owing to higher-than-forecast petrol prices. Higher fuel prices are likely to dampen real household consumption relative to the BEFU18 forecast over the coming year.

There are continuing signs that global growth is easing, with the IMF following the OECD in downgrading growth forecasts for 2019 and 2020. Recent data from China and the euro area point to slowing growth, while global inflation appears largely in check with some signs of easing oil prices. The softer growth outlook, combined with ongoing uncertainty around the potential impact of trade tensions, saw equities markets trending downwards with heightened volatility.

Our special topic this month investigates developments in the household assets and liabilities that comprise net wealth. Household wealth can be an important influence on the macro economy, particularly via its impact on consumer spending through the so-called 'wealth channel'. New Zealand households are increasingly exposed to the housing sector and any downturn or shock to the housing market will disproportionately affect the asset side of the balance sheet. Since we expect house price growth to slow, this will reduce the wealth effect, especially if debt continues to grow or interest rates rise. This may have a subsequent dampening effect on consumption and consumer confidence.

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# Analysis

Business sentiment eased further in the September quarter, providing some downside risk to our BEFU forecast over the coming year. Rising fuel prices drove inflation higher and net migration inflows continue to ease.

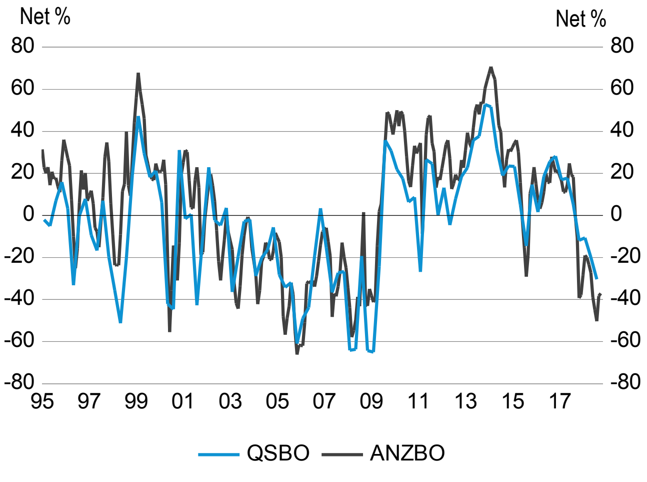
## Business sentiment continued to ease…

The QSBO showed that business sentiment eased further over the September quarter, increasing the risk that GDP growth over the year ahead will be softer than the Treasury's BEFU forecast of 3.3% growth in the year to June 2019.

Business confidence fell to a net 28% expecting economic conditions to worsen, down from a net 23% in June and the lowest since March 2009 (Figure 1).

Firms' own trading activity – a better indicator of economic growth – also fell, with a net 0.4% (seasonally adjusted) of respondents expecting an improvement over the previous quarter, down from a net 7% in the June quarter. Profitability remains a concern – a net 23% reported a decline in profitability in the September quarter and a net 7% expect profitability to decline in the December quarter. The downbeat mood was widespread, with manufacturers overtaking retailers as the most pessimistic sector. Manufacturing sector confidence fell sharply, driven by weaker demand, particularly for domestic sales. In the retail sector, the NZIER noted that rising cost pressures are likely to stem from increased minimum wages and the depreciation of the New Zealand dollar. Measures of hiring for the September quarter and for the quarter ahead declined, while intentions to invest in plant and machinery picked up a little.

Figure 1: General business confidence




Source: NZIER, ANZ

For the first time, the QSBO included a question asking firms to identify what drove their view on headline business confidence. Government policy was the most common influence on firms' general perception of business confidence; especially for larger firms. However, retailers, manufacturers and builders were generally more concerned about labour costs and consumer confidence than government policy.

The ANZ Business Outlook Survey was flat in October. Headline business confidence lifted by 1 percentage point to a net 37% of respondents reporting that they expect general business conditions to deteriorate in the year ahead. Firms' views of their own activity fell by 1 percentage point to a net 7% expecting an improvement. Employment intentions lifted by 1 percentage point, while profit expectations dropped by 2 percentage points. Investment intentions rose by 6 percentage points but remained negative.

## …and consumer confidence fell

The Westpac McDermott Miller Consumer Confidence Index fell 5.1 points to 103.5 in the September quarter, taking it to its lowest level in six years. Households are particularly concerned about their own finances and the general economy over the next year. However, households' inclination to save remains low. The ANZ-Roy Morgan Consumer Confidence Index was unchanged in September at 118, close to the historical average.

## Manufacturing and services sector sentiment declined

The BNZ-BusinessNZ's Performance and Manufacturing Index (PMI) fell 0.3 points in September to 51.7. On average, over the September quarter, the index was down by 3.8 points from the June quarter. This outturn indicates that the manufacturing sector is expanding, but at a slower rate.

The BNZ-BusinessNZ Performance of Services Index (PSI) rose 0.6 points to 53.9 in September, partly recovering from a 1.6 point fall in August. This meant that on average over the September quarter, the index was down 1.0 points. The outturn indicates that the services sector is expanding, however, it still remains below its long run average of 54.5.

## Rising fuel prices drove inflation higher

Annual inflation rose to 1.9% in the September quarter, up from 1.5% in June and well above our BEFU18 estimate of 1.3%, primarily owing to higher-than-forecast petrol prices. Petrol prices rose 19.0% in the year to September. Excluding petrol, annual inflation was 1.2%. For the quarter the Consumers Price Index increased 0.9%, up from the 0.4%

increase in the June quarter, and driven by a 5.5% rise in petrol prices over the quarter.

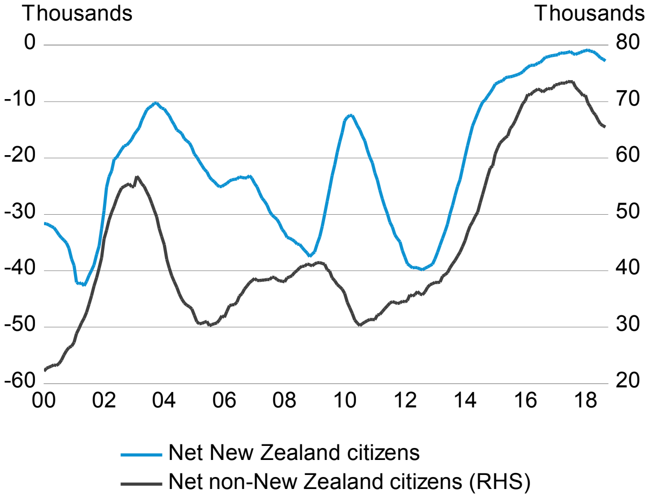
The increase in petrol prices was the result of three factors: a depreciating New Zealand dollar, the Regional Fuel Tax in Auckland and an increase in world oil prices. Petrol prices are likely to increase further in the December quarter, owing to the 3.5 cents per litre increase in national petrol excise tax from 30 September, high global oil prices and a relatively weaker NZ dollar.

Higher inflation erodes households' purchasing power, and as a consequence is likely to dampen household consumption growth over the year ahead relative to the BEFU18 forecasts. At the same time, indexation of government welfare payments will impact on government expense growth.

## Net migration inflows continued to ease…

Net permanent and long-term migration (PLT) continued to ease from record highs seen last year, broadly in line with the BEFU forecast. Net migration fell by 350 people (sa) in September to 4,640 due to both a fall in arrivals and an increase in departures. On an annual basis, net migration was 62,700 people, down 8,300 from the year ended September 2017. The increase in departures over the year was driven by non-NZ citizen departures, up by 4,800, while departures of NZ citizens increased by 800. Net trans-Tasman outflows have also continued to the increase owing to higher departures and lower arrivals (Figure 2).

Figure 2: Net PLT migration by citizenship




Source: Stats NZ

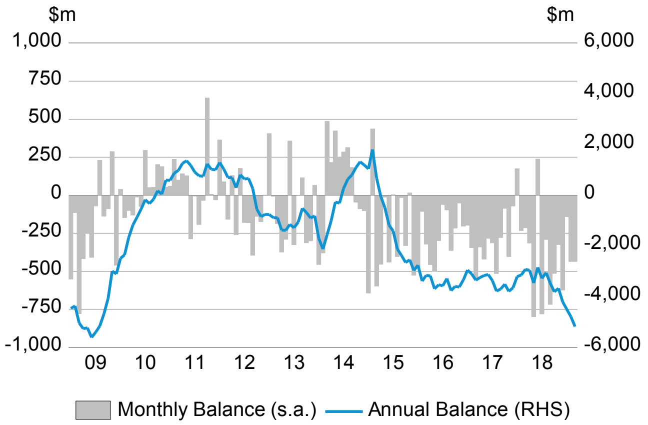
The tourism sector remains buoyant, with visitor arrivals up 4,280 (sa) or 0.5% in the September quarter.

## …and the trade deficit grew in September

The merchandise trade deficit for the month of September was $1.6 billion, the largest on record. However, the outturn was partly influenced by imports of large items (aircraft of $275 million) and on a trend basis, the deficit narrowed, falling 6.0% from August. Imports rose 5.8% over the September quarter, primarily driven by a higher value of crude oil imports. Exports were up 6.3% over the September quarter, partly the result of increased exports of kiwifruit.

The overseas merchandise trade deficit for the year ended September 2018 was $5.2 billion. This is the largest annual deficit since January 2009 (Figure 3). Imports were up 15.0% ($8.1 billion) in the year, driven by petroleum products (largely attributable to price increases) as well as mechanical machinery and equipment. Exports rose 11.0% ($5.9 billion), with dairy products up 10.0% ($1.3 billion) over the year.

Figure 3: Overseas merchandise trade




Source: Stats NZ

## …and commodity prices continued to fall

The ANZ world commodity price index fell 1.8% in September, with prices on average 4.6% lower than in the June quarter and down 3.0% from the same month in 2017. The decline was broad-based with the largest falls coming from dairy (down 3.0%) and forestry (down 1.8%). The commodity price index in New Zealand dollar terms was down 0.6% for the month and 0.1% on average over the quarter. On an annual basis, the NZD index rose 6.5% from September 2017, buoyed by a weaker New Zealand dollar.

## House sales and consents fell…

The REINZ house price index (HPI) rose 0.5% (sa) in September, following a 0.4% increase in August. The index is up 4.0% from a year ago. The Auckland HPI rose 0.5% in September. Excluding Auckland, prices also rose 0.5% (sa). House sales fell 9.4% in September, following a 2.1% rise in August and are down 3.0% on an annual basis. The fall in sales likely reflects some volatility and lower inventory levels, rather than lower demand, as median days to sell (an indicator of housing demand) were flat in September. We expect house price growth to continue to remain subdued, as policy uncertainty and the effect of foreign buyer restrictions (effective from 22 October) weigh on growth.

The number of new dwelling consents fell 1.5% (sa) in September following a 6.8% fall in August. For the September quarter as a whole, consents were on average 6.1% lower than in the June quarter. However, growth in consents was strong in the March and June quarters and overall consent issuance levels remain high. In the year ended September, the number of new dwelling consents were up 5.4%, driven by growth in Auckland (up 25%). We expect reasonable residential investment growth through the rest of the year and into 2019, although capacity constraints in the construction sector may pose downside risks.

## …but retail card spending remained strong

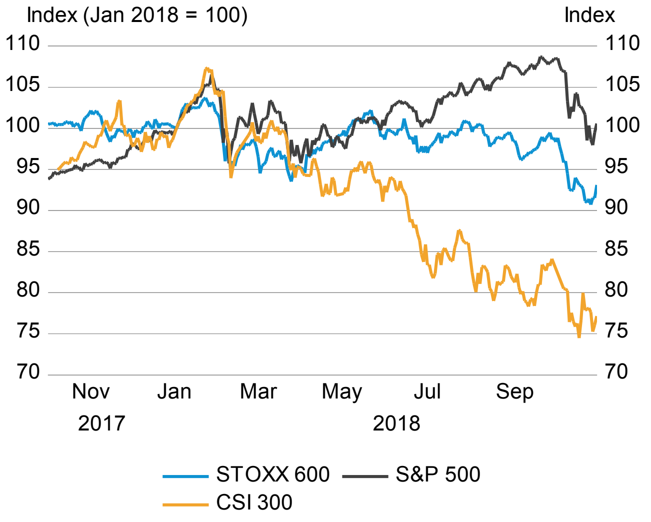
In contrast to weaker housing activity, September retail card spending was strong, likely supported by the Government's Families Package. The Families Package includes a Winter Energy Payment and increases in Working for Families tax credits, both effective from 1 July. Core retail card spending, which excludes fuel and vehicle spending rose 1.1% (sa) in the month and 1.9% (sa) in the quarter. Total retail card spending (which includes fuel and vehicle spending) also rose 1.1% in the month and 2.2% (sa) over the quarter. Fuel spending (up 4.2% over the quarter), drove the growth in total card spending. Although the Families Package will continue to support household consumption, the Winter Energy payment, worth around $30 per week to superannuitants and other beneficiaries, will be temporary. In addition, further increases in petrol prices over the past month will put pressure on household budgets.

## Global growth prospects continue to ease…

Following on from last month's revised OECD projections, the International Monetary Fund (IMF) revised its global growth outlook to 3.7% for this year and next, down from the 3.9% growth forecast in July.

Rising trade tensions were the prime motivator for the growth downgrade, and markets reacted with selloffs and subsequent volatility in equities markets, with US stocks down around 9% since the beginning of October (Figure 4). The outlook for China in particular is more concerning, with the Shanghai Shenzhen CSI-300 index now down around 25% from January.

Figure 4: Global equities




Source: Haver Analytics

The recent falls in equity prices have been accompanied by higher overall volatility in the market, reflecting heightened uncertainty around growth prospects (Figure 5).

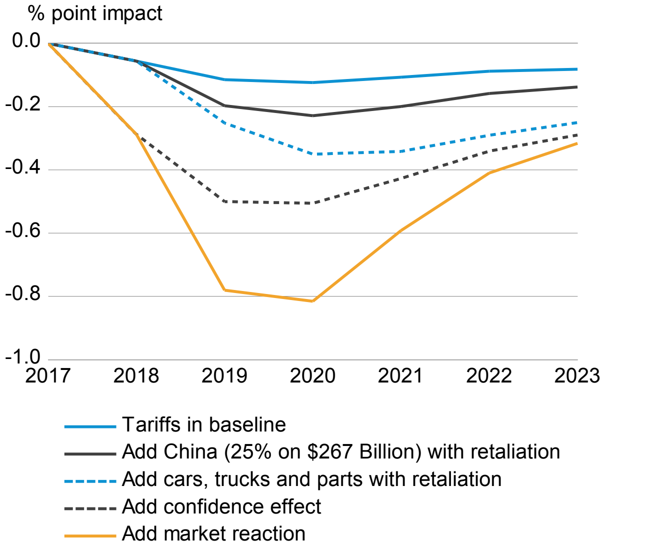
Figure 5: CBOE Market volatility index


Source: Wall Street Journal / Haver

## …amid ongoing US-China trade tensions…

The IMF modelled some possible impacts of the tariffs that have recently been imposed between the US and several of its trading partners as well as some trade measures that have been announced, but not yet imposed. The simulations capture several channels through which the rise in trade tensions may affect global trade (Figure 6). The modelling showed the direct effects of the tariffs are quite modest. However, declines in confidence and equity markets can significantly amplify these effects.

Figure 6: Trade tensions impact on global growth



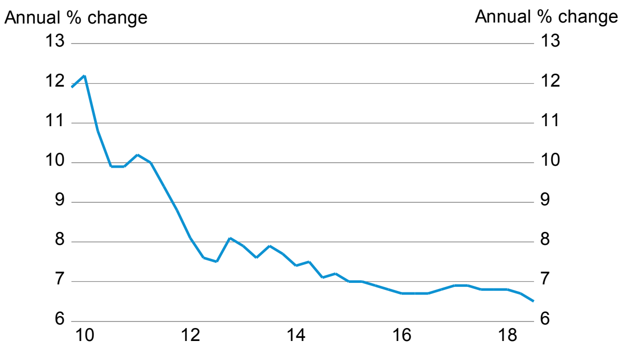

Source: International Monetary Fund

## …and slower growth in China…

The Chinese economy grew by 1.6% quarter-on-quarter in the three months to September 2018. Year-on-year, the economy grew 6.5% in the third quarter of 2018, after 6.7% growth in the previous three quarters, slightly below market expectations (Figure 7). This is the lowest annual growth rate since the GFC, amid a background of reducing fixed asset investment and waning consumer demand.

The Chinese government responded by announcing planned income tax cuts beginning in early 2019, while the Bank of China continued with a range of policy measures aimed to ease funding constraints for firms. Analysts expect further support measures to be announced.

Figure 7: China – Real GDP growth



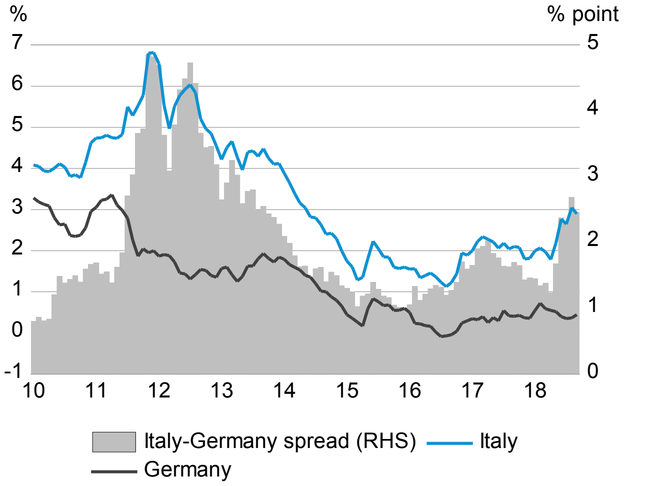

Source: China National Bureau of Statistics / Haver

## …and a subdued Euro area…

In the Euro area, the advance estimate of Q3 GDP growth was just 0.2% quarter-on-quarter, lowering annual growth estimates to 1.7%.

As was broadly expected, the EU has rejected the Italian government's plans proposing a budget deficit of 2.4% of GDP in 2019, and has asked them to revise and resubmit within the next month or potentially face financial sanctions. Italy's budget concerns have seen the spread between Germany and Italy's 10-year bond rates increase markedly in recent months, reflecting an increased risk premium for the Italian economy (Figure 8).

Figure 8: Italy and Germany 10-year bond yields




Source: Reuters / Haver

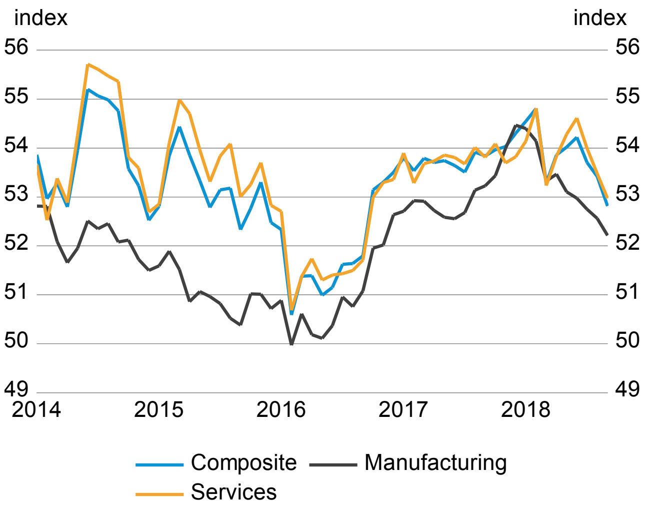
## …and US GDP growth remains strong…

US real GDP expanded by an annualised rate of 3.5% in the September quarter after rising at an annualised rate 4.2% in the June quarter, according to the Bureau of Economic Analysis' preliminary estimate. Although growth was slightly higher than expected, the composition of growth was less positive, with inventories build-up accounting for more than half of the growth. Growth in consumer spending and intellectual property investment was partially offset by weaker trade, residential investment, and investment in structures.

## …reflected in subdued sentiment

September PMI data signalled a continuation of recent weak out-turns globally, with the global composite PMI falling to a 22-month low of 52.2, down from 52.6 in August. The global manufacturing PMI fell 0.4 percentage points to 52.2, and the services PMI fell 0.5 percentage points to 53.0 (Figure 9).

Figure 9: J.P Morgan Global PMI output indexes

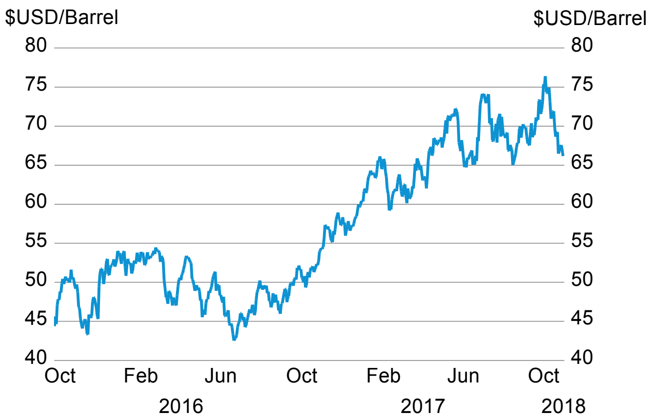



Source: J.P Morgan / IHS Markit / Haver

## Oil prices have eased somewhat…

Oil prices have eased somewhat over the month, with West Texas Intermediate dropping from a 4-year high of $76.41 per barrel on 3 October to $66.18 per barrel at the end of the month (Figure 10), with some commentators pointing to increasing certainty in supply as an explanatory factor.

Figure 10: West Texas Intermediate oil price



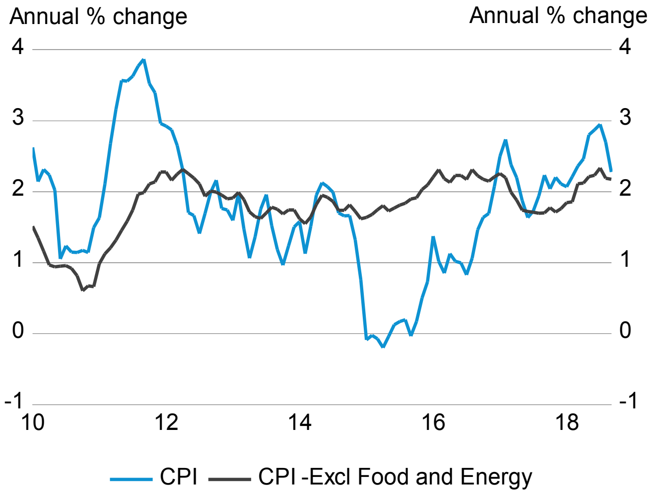

Source: Haver Analytics

## …with inflation remaining in check

The US all items CPI came in slightly below market expectations, rising 0.1% (seasonally adjusted) in the September month, to be 2.3% up for the 12 months ending September, down from the 2.7% in the year to August. Excluding food and energy, the index rose 0.1% (seasonally adjusted) in September, and was up 2.2% over the year, unchanged from the August result (Figure 11).

While this out-turn was slightly below market expectations, it is unlikely to change expectations that the Federal Reserve will raise interest rates at its December policy meeting.

Figure 11: US CPI annual percentage change




Source: Bureau of Labor Statistics / Haver

Australia's September quarter CPI came in broadly in line with expectations, up 1.9% in the year to September 2018 but slightly down on the 2.1% increase recorded in the year to June 2018. Slight increases in prices for international holiday travel and accommodation, housing costs and automotive fuels were partly offset by falls in child-care costs.

Euro area inflation rose to a 6-year high of 2.2% in October. Core inflation picked up to 1.1% from 0.9% last month.

## UK Budget cashes in on windfall…

The Office for Budget Responsibility (OBR) reduced its forecast for government borrowing, which provided the government scope for additional spending on health and other public services, together with changes in personal allowance and tax thresholds and an increase in the National Living Wage.

The OBR lifted its forecast for GDP growth next year to 1.6% from 1.3% previously, with growth forecast to range between 1.4% and 1.6% over the following 4 years. Total public sector net borrowing is estimated to decline to 1.2% of GDP in the current fiscal year, from 1.9% of GDP last year. The deficit is forecast to widen modestly to 1.4% of GDP in the 2019/20 year on the back of the announced spending initiatives before gradually declining to 0.8% of GDP in 2023/24.

# Special Topic: Household balance sheet developments

Household wealth can be an important influence on the macro economy, particularly via its impact on consumer spending through the so-called 'wealth channel'. This special topic investigates developments in the household assets and liabilities that comprise net wealth.

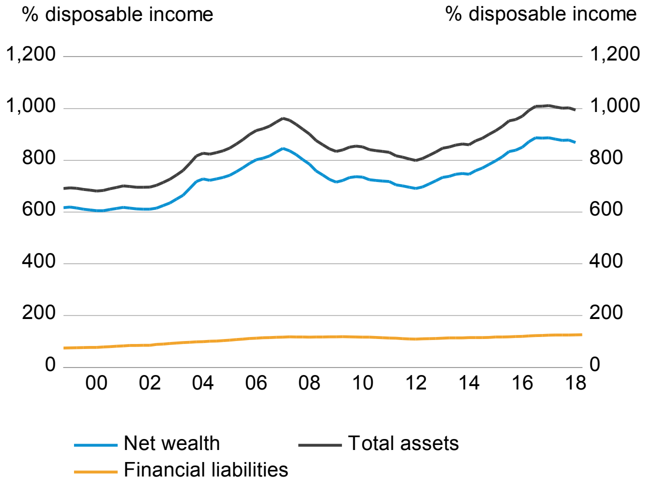
On balance, the data shows that New Zealand households are increasingly exposed to the housing sector (particularly when financial assets are adjusted for equity in rental property). Any downturn or shock to the housing market will disproportionately affect the asset side of the balance sheet. Since we expect house price growth to slow, this will reduce the wealth effect, especially if debt continues to grow or interest rates rise. This may have a subsequent dampening effect on consumption and consumer confidence.

## The evolution of household net wealth

The Reserve Bank publishes data on household assets and liabilities, and net wealth. They also present some household wealth data as a percentage of disposable income. Doing so helps control for the impact of population growth, as aggregate incomes are dependent on the size of the population and the general movement in prices. It also gives an indication of how manageable debt levels are (particularly when combined with debt servicing estimates). This special topic summarises developments on both sides of the balance sheet.

Aggregate household net wealth has increased significantly over the past two decades, from around 600% of disposable income at the turn of the century to a peak of 887% in 2016 and is currently around 869%.

Figure 1: Household net wealth



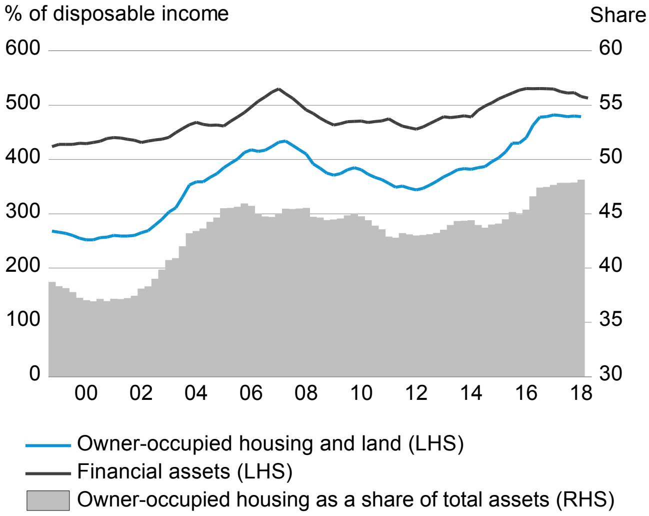

Source: RBNZ

Household assets fall into two major categories: financial assets, and housing and land assets.

Financial assets as a share of disposable income reached 531% in March 2016 before falling back to 513% in June 2018. The largest component of financial assets is equity and investment fund shares (348% of disposable income at June 2018, down from 372% in March 2016), and the growth of financial assets is driven by this asset class. Deposit balances as a percentage of disposable income have been rising slowly, reaching 102% in June 2018. The value of owner-occupied housing and land to disposable income reached 482% in the March 2017 quarter, the highest level since the series began and has only dropped marginally since, to 479% in March 2018.

## Housing assets have grown…

Figure 2: Household financial and housing assets




Source: RBNZ

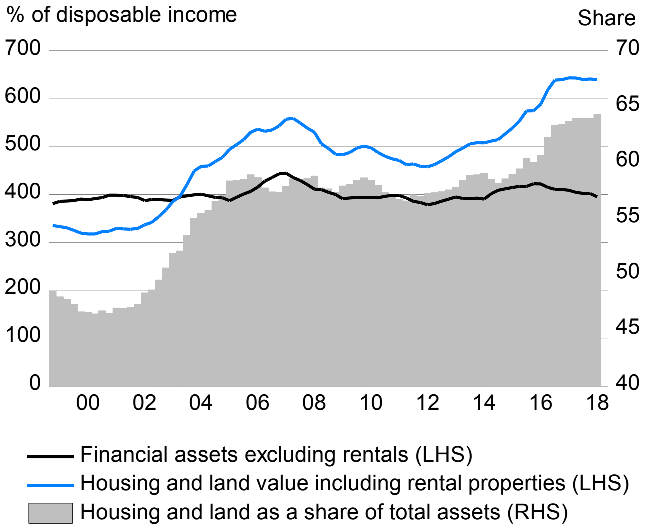
The value of both financial assets and housing assets held by households have increased over time. More recently, the value of assets to income has been broadly flat. While households continue to own more financial assets than housing, rapid house price growth has seen the gap narrow, with the share of housing in total assets increasing.

It is worth noting the treatment of rental properties in the household accounts. Rather than showing the asset (the rental property) and any liability (rental property debt) separately, only the net equity is included (ie, the current market value of property less debt) and this net equity is treated as a financial asset (as with equity in other businesses owned by households).

## …with little growth in other financial assets

Figure 2 shows that the value of financial assets is higher than owner-occupied housing as a percentage of disposable income. Figure 3 adds the value of rental property owned by households to the housing category and removes the rental property-related net equity from financial assets to provide an alternative view of households' exposure to the housing market. This figure shows that total housing assets to disposable income since late-2002 are much higher than financial assets once the net equity in rental properties is removed. Financial assets (excluding rental property) have been remarkably stable. The result is that the share of housing has increased, particularly over 2000 to 2004 and again over 2012 to 2016. Similar adjustments are made on the liability side later in this note.

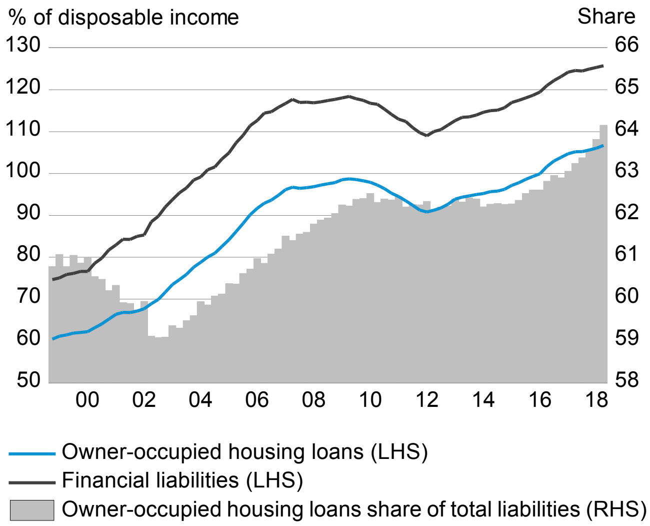
Figure 3: Financial assets (excluding rental property net equity) and total housing assets




Source: RBNZ

Figure 4 shows the evolution of financial liabilities and its largest component, housing loans. Note that financial liabilities exclude rental property loans.

Figure 4: Financial liabilities excluding rental properties

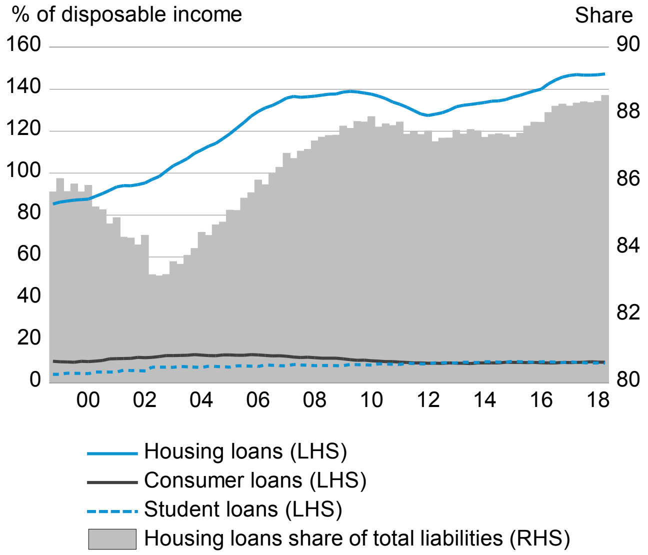



Source: RBNZ

## Housing debt continues to increase…

Figure 5 adds rental property loans to owner-occupied housing loans and shows that student and consumer loans make up a small share of disposable income compared to housing loans. We also observe that the biggest build-up in housing loans occurred between 2000 and 2007, with a relatively more gradual increase post 2011.

Figure 5: Financial liabilities including rental property loans

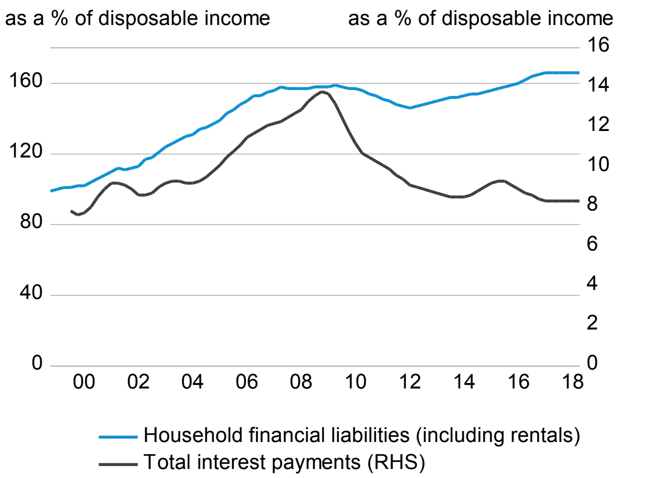



Source: RBNZ

The evolution of debt as a percentage of disposable income (Figure 6), shows that debt levels rose strongly up until the GFC. Debt as a percentage of disposable income reached 158% in June 2007, before flattening as households pulled back on borrowing and started saving. This ratio fell to a low of 146% in March 2012 when it started rising again, reaching a peak of 166% in March 2017 where it currently remains.

## …but interest rates remain low…

Figure 6: Household debt* and debt servicing




*includes rental property loans

Source: RBNZ

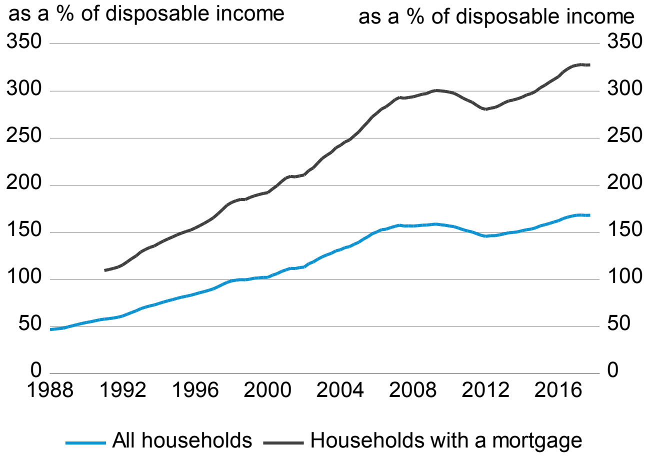
Despite high levels of debt, debt servicing as a percentage of disposable income, remains at its lowest level since mid-2000. This reflects the current low interest rate environment.

The RBNZ has indicated that the official cash rate is likely to remain unchanged until 2020, alleviating pressure on floating and short term fixed rates. However, longer term fixed rates are likely to face some upward pressure if international credit availability falls and bank funding costs rise. Whether future interest rate increases result in debt servicing rates exceeding previous highs will depend on the extent and timing of interest rate increases.

## At the aggregate level debt levels appear manageable

At an aggregate level there are reasons to believe that debt levels remain manageable. At the individual level, there are likely to be subgroups of households that are more exposed. In particular, recent entrants to the property market are likely to have high debt levels relative to their incomes. This reflects rapid house price increases relative to incomes, in part due to low interest rates and a lack of supply relative to demand. High debt levels increase households' vulnerability to shocks in income, employment, and interest rates.

Figure 7: Distribution of household debt



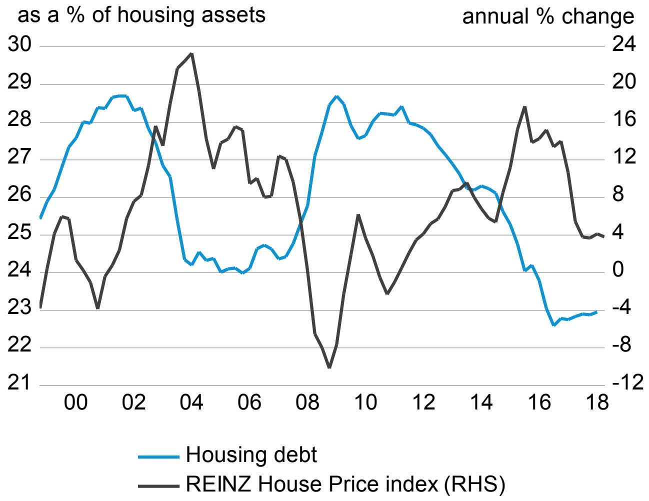

Source: RBNZ

The Reserve Bank's latest Financial Stability Report, showed that for households with a mortgage, growth in debt relative to incomes has been more significant, reaching 328% at the end of 2017 (Figure 7).

## Housing asset values have risen faster than debt

Housing debt as a percentage of housing assets has dropped significantly over the past 10 years (Figure 8), largely owing to rapid increases in the value of houses. While debt levels have been increasing, the overall extent to which the housing stock is leveraged (the value of housing loans compared to the value of housing) fell to a series low of 22.6% in September 2016 and has subsequently only risen modestly, after peaking at just under 29% in 2009. The increase to this peak reflected falls in the value of housing assets between March 2008 and 2009 combined with modest increases in housing debt. The more recent decline is not particularly surprising in an environment of rising house prices as for most households the value of their asset will have increased while their mortgage will have fallen slightly - unless they actively increased their borrowing. A fall in average house prices of around 19% would see housing debt to asset ratios return to their 2009 level.

Figure 8: Household debt to assets and house prices




Source: RBNZ, REINZ

***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 | 0.8 | 0.6 | 0.6 | 0.5 | 1.0 |
| | ann ave % chg | 4.0 | 3.7 | 3.3 | 3.0 | 2.8 | 2.7 | 2.7 |
| Real private consumption | qtr % chg[1] | 0.8 | 1.1 | 1.0 | 0.9 | 1.0 | 0.0 | 1.0 |
| | ann ave % chg | 4.8 | 5.1 | 4.9 | 4.5 | 4.4 | 3.8 | 3.5 |
| Real public consumption | qtr % chg[1] | 1.1 | 1.1 | 1.0 | 2.6 | 0.0 | 0.8 | 2.2 |
| | ann ave % chg | 1.6 | 1.9 | 2.9 | 4.0 | 4.5 | 4.8 | 5.2 |
| Real residential investment | qtr % chg[1] | 0.1 | -1.1 | -0.8 | 2.9 | 0.4 | -0.7 | 0.5 |
| | ann ave % chg | 11.8 | 9.5 | 5.0 | 2.5 | 0.7 | 0.5 | 1.8 |
| Real non-residential investment | qtr % chg[1] | 0.4 | 0.9 | 1.4 | 0.9 | 4.0 | 0.3 | -0.2 |
| | ann ave % chg | 4.1 | 3.9 | 3.8 | 4.1 | 4.7 | 5.4 | 5.7 |
| Export volumes | qtr % chg[1] | -2.5 | 0.8 | 3.0 | 0.9 | 0.0 | 0.0 | 2.4 |
| | ann ave % chg | 2.1 | 1.3 | 0.2 | 0.3 | 1.8 | 3.0 | 3.6 |
| Import volumes | qtr % chg[1] | 1.1 | 1.6 | 0.9 | 2.3 | 3.7 | 1.1 | 1.5 |
| | ann ave % chg | 3.4 | 5.1 | 6.1 | 6.3 | 7.0 | 7.2 | 7.9 |
| Nominal GDP - expenditure basis | ann ave % chg | 6.0 | 6.1 | 6.2 | 6.6 | 6.2 | 5.7 | 5.5 |
| Real GDP per capita | ann ave % chg | 1.8 | 1.6 | 1.2 | 0.8 | 0.7 | 0.6 | 0.7 |
| Real Gross National Disposable Income | ann ave % chg | 5.0 | 4.5 | 4.3 | 4.2 | 3.4 | 3.4 | 3.1 |
| **External Trade** | | | | | | | | |
| Current account balance (annual) | NZ$ millions | -5,722 | -6,947 | -7,117 | -7,370 | -8,180 | -8,540 | -9,536 |
| | % of GDP | -2.1 | -2.6 | -2.6 | -2.6 | -2.9 | -3.0 | -3.3 |
| Investment income balance (annual) | NZ$ millions | -7,690 | -8,409 | -8,582 | -9,218 | -10,221 | -10,343 | -10,708 |
| Merchandise terms of trade | qtr % chg | 5.8 | 3.9 | 1.1 | 1.3 | 1.4 | -2.0 | 0.6 |
| | ann % chg | 6.7 | 6.5 | 9.7 | 12.6 | 7.9 | 1.8 | 1.4 |
| **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 | 4.1 | 3.8 | 3.0 | 3.6 | 3.2 | 1.3 | 1.9 |
| Consumption deflator | ann % chg | 0.7 | 1.6 | 1.3 | 1.6 | 1.5 | 0.7 | 1.2 |
| **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 | 3.0 |
| Labour productivity[6] | ann ave % chg | -1.3 | -2.7 | -1.7 | -1.5 | -0.7 | -0.3 | -1.5 |
| **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

| | | 2018M03 | 2018M04 | 2018M05 | 2018M06 | 2018M07 | 2018M08 | 2018M09 |
|---|---|---|---|---|---|---|---|---|
| **External Sector** | | | | | | | | |
| Merchandise trade - exports | mth % chg[1] | -3.5 | 6.5 | -0.9 | 2.3 | 6.5 | -5.8 | 9.2 |
| | ann % chg | 4.5 | 5.5 | 9.0 | 4.0 | 15.6 | 7.7 | 14.1 |
| Merchandise trade - imports | mth % chg[1] | 6.3 | 0.5 | -3.8 | 9.1 | 0.4 | -4.5 | 11.6 |
| | ann % chg | 14.3 | 14.5 | 6.3 | 16.1 | 22.3 | 11.9 | 18.8 |
| Merchandise trade balance (12 month total) | NZ$ million | -3468 | -3815 | -3678 | -4206 | -4497 | -4793 | -5188 |
| Visitor arrivals | number[1] | 318,380 | 314,300 | 322,300 | 311,180 | 313,430 | 322,300 | 316,330 |
| Visitor departures | number[1] | 326,220 | 320,230 | 315,180 | 316,750 | 306,460 | 315,930 | 318,130 |
| **Housing** | | | | | | | | |
| Dwelling consents - residential | mth % chg[1] | 12.9 | -3.9 | 6.9 | -8.1 | -9.7 | 6.8 | -1.5 |
| | ann % chg | 5.3 | 29.6 | 21.9 | 9.1 | -0.4 | -2.9 | -7.6 |
| House sales - dwellings | mth % chg[1] | -3.2 | 1.6 | -0.6 | -5.8 | -1.3 | 2.1 | -9.4 |
| | ann % chg | -7.6 | 9.7 | 5.3 | 1.3 | 4.9 | 4.9 | -3.0 |
| REINZ - house price index | mth % chg | 0.4 | -0.1 | -0.2 | 0.1 | 0.3 | 0.4 | 0.5 |
| | ann % chg | 4.1 | 3.7 | 3.6 | 3.8 | 4.8 | 4.1 | 4.0 |
| **Private Consumption** | | | | | | | | |
| Electronic card transactions - total retail | mth % chg[1] | 1.6 | -2.1 | 0.5 | 0.9 | 0.3 | 1.1 | 1.1 |
| | ann % chg | 6.7 | 1.4 | 4.2 | 4.9 | 3.8 | 6.3 | 5.7 |
| New car registrations | mth % chg[1] | -4.8 | -0.2 | 13.2 | -6.3 | 1.7 | -1.4 | -5.7 |
| | ann % chg | -11.9 | -9.0 | -0.6 | -4.9 | -0.7 | -4.7 | -10.8 |
| **Migration** | | | | | | | | |
| Permanent & long-term arrivals | number[1] | 10,790 | 10,500 | 10,780 | 10,600 | 10,600 | 10,770 | 10,490 |
| Permanent & long-term departures | number[1] | 5,450 | 5,610 | 5,700 | 5,750 | 5,860 | 5,780 | 5,850 |
| Net PLT migration (12 month total) | number | 67,984 | 67,038 | 66,243 | 64,995 | 63,779 | 63,288 | 62,733 |
| **Commodity Prices** | | | | | | | | |
| Brent oil price | US$/Barrel | 66.02 | 72.11 | 76.98 | 74.40 | 74.25 | 72.44 | *78.89* |
| WTI oil price | US$/Barrel | 62.76 | 66.26 | 69.99 | 67.33 | 70.97 | 67.99 | *70.20* |
| ANZ NZ commodity price index | mth % chg | 2.1 | 1.2 | 5.0 | -1.0 | -1.1 | 0.4 | -0.6 |
| | ann % chg | 5.1 | 5.8 | 6.8 | 7.5 | 8.6 | 8.9 | 6.5 |
| ANZ world commodity price index | mth % chg | 1.2 | 1.0 | 1.5 | -0.9 | -3.3 | -1.1 | -1.8 |
| | ann % chg | 5.8 | 7.1 | 5.4 | 2.3 | -0.2 | -0.5 | -3.0 |
| **Financial Markets** | | | | | | | | |
| NZD/USD | $[2] | 0.7257 | 0.7258 | 0.6953 | 0.6941 | 0.6788 | 0.6671 | *0.6595* |
| NZD/AUD | $[2] | 0.9343 | 0.9432 | 0.9239 | 0.9265 | 0.9168 | 0.9100 | *0.9160* |
| Trade weighted index (TWI) | June 1979 = 100[2] | 74.72 | 74.88 | 73.01 | 73.50 | 72.96 | 72.32 | *71.79* |
| Official cash rate (OCR) | % | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| 90 day bank bill rate | %[2] | 1.93 | 2.01 | 2.02 | 2.01 | 1.94 | 1.91 | *1.90* |
| 10 year govt bond rate | %[2] | 2.89 | 2.83 | 2.78 | 2.90 | 2.81 | 2.64 | *2.60* |
| **Confidence Indicators/Surveys** | | | | | | | | |
| ANZ - business confidence | net % | -20.0 | -23.4 | -27.2 | -39.0 | -44.9 | -50.3 | -38.3 |
| ANZ - activity outlook | net % | 21.8 | 17.8 | 13.6 | 9.4 | 3.8 | 3.8 | 7.8 |
| ANZ-Roy Morgan - consumer confidence | net % | 128.0 | 120.5 | 121.0 | 120.0 | 118.4 | 117.6 | 117.6 |
| Performance of Manufacturing Index | Index | 53.2 | 59.2 | 54.4 | 52.7 | 51.2 | 52.0 | 51.7 |
| Performance of Services Index | Index | 58.6 | 55.6 | 56.9 | 52.8 | 54.9 | 53.3 | 53.9 |

1 Seasonally adjusted

2 Average (11am)

3 Westpac McDermott Miller

4 NZIER Quarterly Survey of Business Opinion

5 Ordinary Time

6 Production GDP divided by HLFS hours worked

Sources: Stats NZ; Reserve Bank of NZ; NZIER; ANZ; Haver; Westpac McDermott Miller; ANZ-Roy Morgan; REINZ; BNZ-Buisness NZ