TE TAI ŌHANGA
THE TREASURY

Monthly Economic Indicators

New Zealand Government

August 2019

Executive Summary

- **Continued weakness in business confidence to weigh on domestic economic growth**
- **Unemployment reaches 11 year low at 3.9% for the June quarter of 2019**
- **Commodity prices and visitor numbers fell, which may reduce export receipts**
- **Renewed US-China trade tensions lead to significant market volatility**
- **Global slowdown in manufacturing continues, but shows little sign of spilling over into services**

Businesses continue to show pessimism about the domestic and international economy. The manufacturing sector indicated contractionary sentiment for the first time since August 2012 and general business confidence in the ANZ Business Outlook fell further this month. Firms' expectations of their own activity fell 3.0 points to only a net 5.0% of firms expecting better future conditions. The services sector was more upbeat with the rate of expansion picking up from last month. Continued general business pessimism has increased the downside risk for our near-term GDP growth forecasts, but there are tentative signs that the downward trend in confidence may have stabilised.

The labour market showed unexpected resilience in the second quarter of 2019 in the face of weakening domestic and international economic growth. Household incomes also showed resilience as the effects of the increased minimum wage flowed through the economy. Despite the increase in incomes, retail spending was soft in the June quarter, and consumers in July were less optimistic than a month ago. Deteriorating economic conditions and less optimistic consumers may weigh on future private consumption growth.

The merchandise trade deficit increased to $714 million in July, up from the $88 million deficit in June. Exports fell 5.8% on July last year, driven by softer prices for dairy and forestry products. International visitor numbers have also fallen on an annual basis, continuing a trend since November 2018 when arrivals were at record levels. Imports of consumption goods continued to grow strongly, up 6.9% in the year to July 2019 and 5.0% on July last year, indicating that consumers' appetite for spending remains resilient for now.

International headlines were dominated by escalating trade tensions over August, with both the US and China increasing tariffs on bilateral imports. The escalation led to significant volatility in equity markets, with many indices recording their biggest single-day falls of the year.

Outside of the recent escalation, trade tensions more broadly are weighing on growth in Europe, particularly in the manufacturing sector in countries like Germany and the UK. Services activity continues to remain elevated however, supported by strong labour markets in many countries. Many central banks have also started to cut interest rates in response to mounting global risks and uncertainties.

This month's special topic looks at New Zealand's current account (deficit) over the past decade and explains the various components that underpin this balance and how they have evolved.

ISSN-1175-6780 – Text finalised 28 August 2019

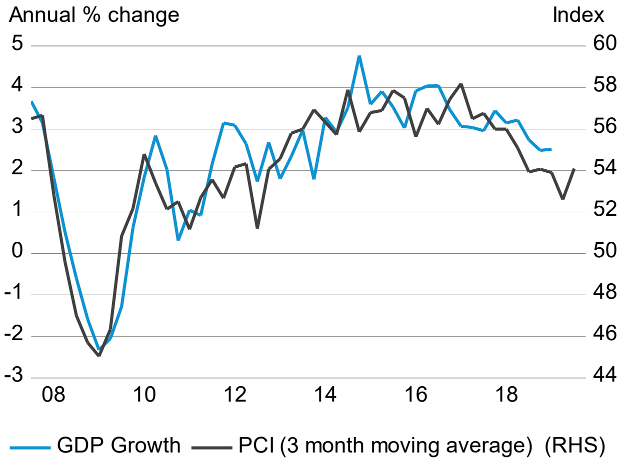
Analysis

The labour market was stronger than expected in the June quarter, with the unemployment rate reaching an 11 year low. Despite this, the outlook for GDP growth for the remainder of the year is likely to be lower than our *Budget 2019* forecast. Weaker business confidence has reduced business investment activity and the Reserve Bank has lowered the Official Cash Rate (OCR) to support domestic activity. Continued weak business confidence and fewer international visitors may negatively impact growth. Household incomes grew strongly in the June quarter but this may not feed through to higher future consumption growth. Indeed, retail sales this quarter were softer than expected. National house prices rose and house sales in Auckland picked up, which may be an early indicator of renewed confidence in the region owing to less tax uncertainties and lower interest rates.

GDP growth outlook has softened…

The BNZ-BusinessNZ GDP-Weighted Combined Performance Index (PCI) rose 1.2 points in July. The downward trend in this series over the past three months has slowed, indicating a possible stabilisation in growth (Figure 1), but still poses downside risk to our economic growth forecasts. This month's rise comes despite a 2.9 point fall in the Performance of Manufacturing Index, which took the index to 48.2 and indicted a contracting manufacturing sector for the first time since August 2012. The pessimism in manufacturing was not present in the services sector, with the Performance of Services Index rising 1.7 points to 54.7 in July, taking this month's services index reading above its historical average.

Figure 1: GDP and PCI



Source: BNZ-BusinessNZ and StatsNZ

…as weak business confidence continued…

Business confidence fell 6 points in July with a net 44% of respondents reporting deteriorating future business conditions in the ANZ Business Outlook, and drifted further from its historical average. Firms' expectations of their own activity fell 3 points to a net 5% expecting a lift, and a net 6% of firms are expecting to cut jobs. Much of the negative sentiment came from the construction sector.

Business confidence has been subdued since 2017, but an increasingly pessimistic outlook from businesses have increased the risk of GDP growth undershooting our *Budget 2019* forecasts in the quarters ahead. Increased government spending this year may provide some offset but the timing and magnitude of these effects are uncertain.

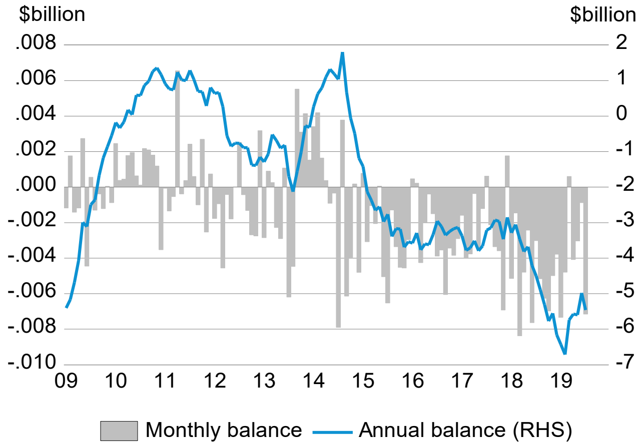
…with fewer international visitors arriving…

International visitor numbers fell 3.0% on an annual basis in June 2019, and international guest nights declined 2.9%. Seasonally adjusted international guest nights have been on a downward trend since December 2018. Continued weakness in international visitor numbers and guest nights poses downside risk to our export of services forecasts.

…and the trade deficit rose as commodity prices fell

The merchandise trade deficit increased to $714 million in July, up from the $88 million deficit in June (Figure 2). Exports fell 5.8% on July last year, driven by softer prices for dairy and forestry products. Imports of consumption goods continued to grow strongly, up 6.9% in the year to July 2019 and 5.0% on July last year, which indicates that consumers' willingness to spend remains positive for now.

Figure 2: Overseas merchandise trade balance

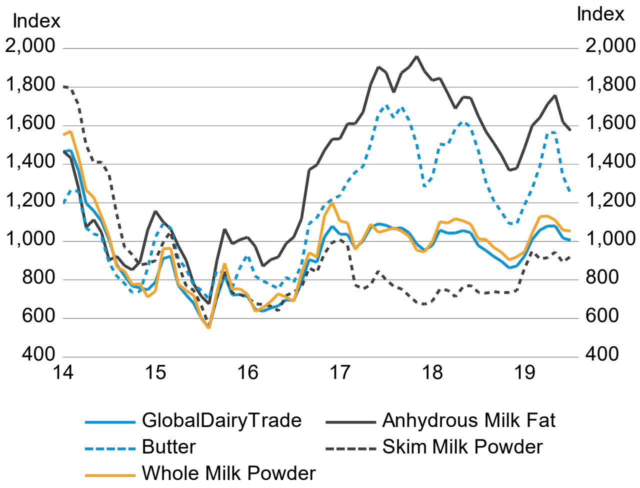


Source: StatsNZ

Recent softening of dairy and forestry prices have contributed to the ANZ World Commodity Price Index falling by 1.4% in July. Excessive international supply of logs to China at a time of easing Chinese demand contributed to the forestry price index falling 8.0% from June. Log prices are expected to recover once Chinese stockpiles are cleared, but subdued prices may linger if Chinese demand remains soft.

Dairy prices at the fortnightly *GlobalDairyTrade* auctions continued to fall in August and are down 1.3% on average in the month from July (Figure 3). Prices may have stabilised however, with the latest auction seeing dairy prices falling only 0.2% from the previous auction. Average monthly whole milk powder prices rose 1.1% in August from July, and are up 5.4% from a year ago.

Figure 3: Selected Global Dairy Prices



Sources: GlobalDairyTrade/Haver

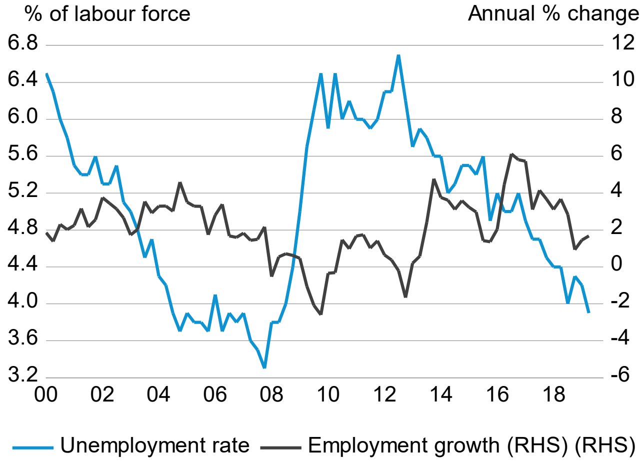
Producer prices boosted by earlier commodity price rises

Producer input prices rose 0.3% in the June quarter, following a 0.9% fall in the March quarter. Output prices reversed last quarter's fall, rising 0.5%. The rise in output prices was driven by higher prices for dairy products, including butter, cheese and milk, reflecting the increases in global dairy auction prices in late 2018 and early 2019. Meat and meat product prices also increased, up 3.5% in June.

Unemployment fell to an eleven year low…

The labour market was stronger than expected in the June quarter, and will provide support for economic activity for the rest of the year. The unemployment rate fell to 3.9%, below market expectations and our *Budget 2019* forecast. This takes the unemployment rate to its lowest level since June 2008 (Figure 4) and the unemployment rate is expected to remain steady for the rest of the year. Employment growth also exceeded expectations, with quarterly growth of 0.8% and annual growth of 1.7%. The participation rate was unchanged from the March quarter at 70.4%. Weaker employment intentions and sustained weakness in business confidence pose downside risks to our employment growth forecasts albeit from a now stronger starting point.

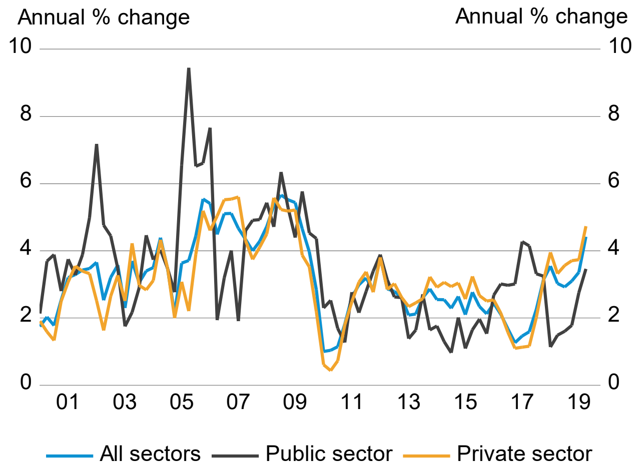
Figure 4: Unemployment rate and employment growth



Source: StatsNZ

Household incomes and tax receipts will benefit from the continued resilience in the labour market. Average hourly earnings rose 1.2% in the June 2019 quarter, to be up 4.4% from the June 2018 quarter with private sector wage growth driving the increase (Figure 5). The effects of the $1.20 per hour increase in the minimum wage are likely to be flowing through to firm payrolls, amid ongoing labour market tightness.

Figure 5: QES ordinary time wage growth



Source: StatsNZ

…but retail sales were soft

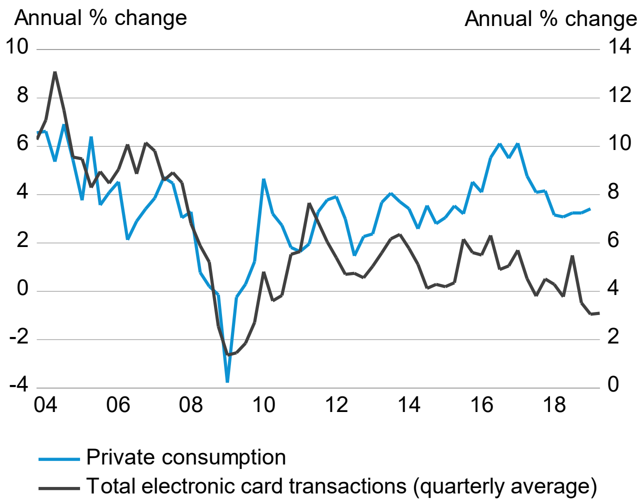
Retail sales volumes weakened in the June quarter, rising 0.2% from the March quarter. Lower fuel prices led to a 0.8% fall in fuel expenditure while core retail volumes (which exclude fuel and motor vehicle parts) increased just 0.3% from the previous quarter. Retail sales and core retail values both rose 0.7% in the June quarter. Real private consumption growth may be slightly stronger than what headline retail sales figures suggest. The retail sales data covers spending in New Zealand by domestic consumers and tourists. International visitor numbers have been declining, which suggests that a greater proportion of retail sales in this quarter were associated with New Zealand consumer spending, indicating a degree of resilience in current consumption activity.

Looking ahead, the ANZ-Roy Morgan Consumer Confidence index fell 6 points in July to 116, taking the index below its historical average of 120. Consumers' expectations of future economic conditions led the decrease, with a net 1% of respondents now expecting worse conditions in the next 12 months which may reduce future private consumption growth.

Electronic card spending fell in July…

Total electronic card spending fell 0.3% in July, following a flat month in June. Rising petrol prices since June cut into consumers' disposable income, leading to a fall in spending across most retail industries and resulted in core retail spending falling 0.5% in the month. Electronic card transactions data tends to provide a reasonable lead on total private consumption in New Zealand and the recent declines support slower overall domestic consumption activity growth in the quarters ahead (Figure 6).

Figure 6: Electronic card transactions and private consumption



Source: StatsNZ

...while food and rental prices rose

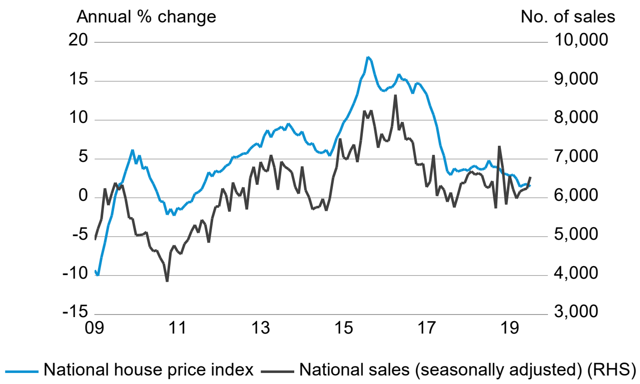
Food prices rose 1.1% in July, driven by increased prices for meat and poultry and vegetables. Global demand for beef and lamb remains strong following reduced Chinese pork production owing to the ongoing African swine fever outbreak. The outbreak may lead to higher domestic food price inflation from a combination of reduced global supply of pork and increased global demand for beef and lamb products.

Rental prices increased 0.3% in July to be up 3.3% compared to July 2018. The increase this month is in line with the increases so far this year, and the stable growth pattern in monthly rent prices is expected to provide sustained upward pressure on headline inflation for the quarters ahead.

The housing market may rejuvenate…

Monthly national house sales increased 4.9% in July, reflecting a 6.9% increase in Auckland according to REINZ data. National house sales have increased steadily for the past few months, potentially indicating future growth in house prices (Figure 7). House prices increased 1.5% nationally in the month but Auckland house prices were flat from June. On an annual basis, Auckland house prices fell 3.3%.

Figure 7: House prices and sales



Source: REINZ

House price growth eased in regions outside of Auckland. However, we expect lower interest rates and the end of policy uncertainty around capital gains tax to stimulate demand and support national house price growth and sales over the year ahead, although record building consents may reduce upward pressure on house prices as the housing supply increases.

…supported by lower interest rates

The Reserve Bank cut the Official Cash Rate from 1.5% to 1.0% in August. The 50 basis point reduction surprised the market, and the New Zealand dollar depreciated sharply after the announcement with interest rates quickly following suit. Markets are expecting another rate cut later this year. Lower interest rates are expected to provide support for increased spending activity and investment, increasing consumption and growth.

Net migration stabilised

Annual net migration continued to stabilise around 50,000 with net migration estimated at 50,900 in the year ended January 2019, down from 52,700 in the previous year. Recent estimates suggest that annual net migration has eased to 49,400 in June, compared to our *Budget* 2019 forecast of 42,000 annual net migrants. The latest net migration figures pose some upside risk to our forecasts but they are subject to large revisions.

US-China trade tensions escalate…

The month of August was largely dominated by escalating tensions between the US and China. Over the month, the US announced tariffs of 15% on the remaining $300 billion of Chinese imports, effective in two tranches from September and December this year. The US President cited China failing to follow through on its pledges to buy more US farm products and not restricting the flow of fentanyl to the US in his decision to implement further tariffs. Later in the month, the US also announced an increase in tariffs, from 25% to 30%, on $250 billion of imports from 1 October.

China announced a range of retaliatory measures, including additional tariffs of between 5-10% on $75 billion of US imports, taking effect between September and December. Chinese authorities also directed state owned enterprises to stop purchasing US agricultural products. Tensions were further escalated when the US Treasury labelled China a ‘currency manipulator’ after the People’s Bank of China allowed the yuan to depreciate past 7.0 per USD.

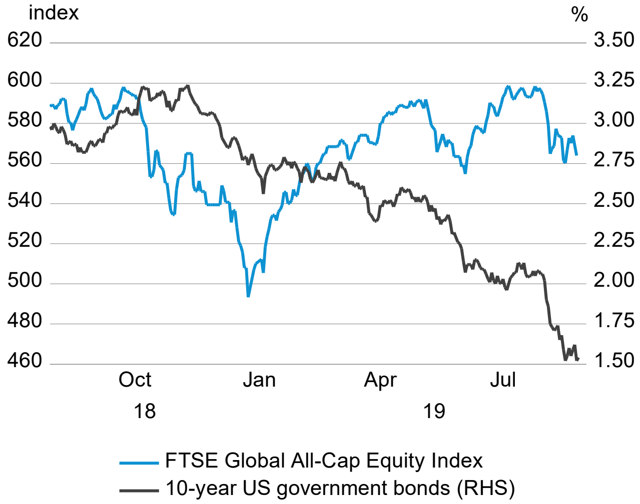
Despite the escalation in tensions, there were some reconciliatory measures that took place over the month. The US announced another 90-day reprieve for US technology firms wanting to sell to Huawei. The exemption only applies if the products in question are deemed not to pose a threat to national security. Talks are still expected between the two countries later this year, although many market commentators do not expect a deal until next year.

Estimates of the impact of the additional tariffs imply a small drag on growth in the US and China, while the indirect impacts of increased uncertainty are difficult to quantify. Additional policy stimulus in both countries may offset some of these effects.

…leading to volatile capital markets…

The escalation in trade tensions surprised markets and followed a truce reached between the two countries at the G20 summit earlier this year. Many equity indices recorded their largest single-day falls of 2019. The yield on the 10-year US government bond (often used as a global benchmark), fell to its lowest level since 2016 (Figure 8) implying higher uncertainty in the near future.

Figure 8: Equities markets fall as bond markets rally

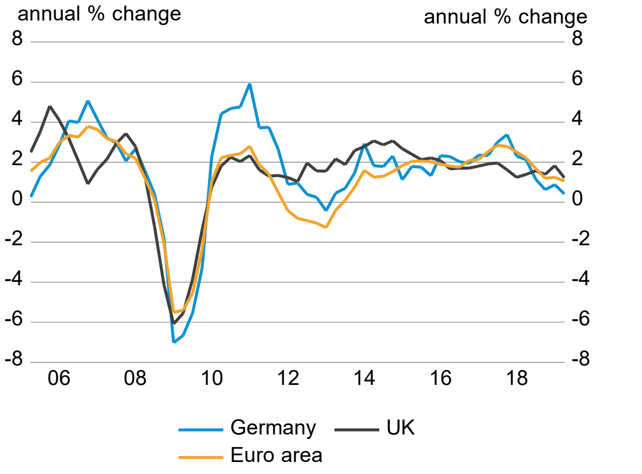


Source: Haver Analytics

…and slow June quarter growth in Europe

Outside of the most recent escalation, trade tensions more broadly have been impacting growth in Europe. June quarter GDP growth was 0.2% in the euro area, down from 0.5% in the last quarter. German GDP was particularly weak, falling 0.1%, following a 0.4% rise in the March quarter. Growth was also negative in the UK, falling 0.2%, from 0.5% growth in the first quarter. Annual growth continued to slow in all three economies (Figure 9) reflecting increased Brexit uncertainty and ongoing trade tensions weighing on the manufacturing sector. Services sectors continued to expand in all three economies, supported by solid labour markets.

Figure 9: Growth has slowed in Europe



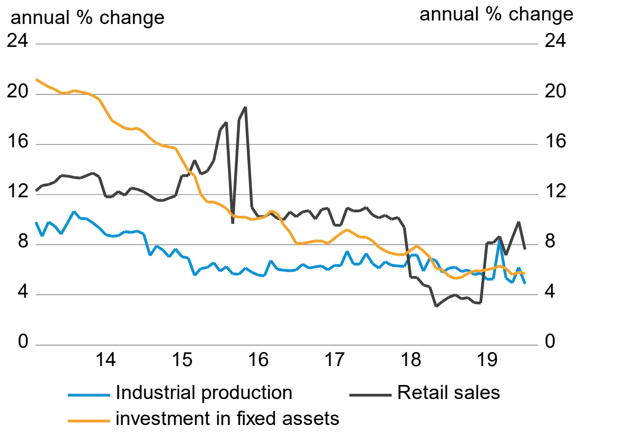
Source: Haver Analytics

Following negative June quarter growth, Germany's Chancellor announced she would react "depending on the situation" in reference to using fiscal measures to stimulate the German economy. Germany's Finance Minister also announced that the Government would increase spending by $50 billion euros in case of an economic crisis. The announcements come as Germany's central bank warned that the economy might tip into a recession in the September quarter.

Domestic activity weakens in China…

After improving in June, annual growth in investment, industrial production and retail sales weakened in July (Figure 10). The sluggishness in industrial production surprised markets as it suggests the value-added tax cut (effective from 1 April) has not fed through to the manufacturing sector. Chinese authorities have taken other measures to stabilise domestic activity, including looser fiscal policy, which is reflected in a widening budget deficit, and through the relaxation of local government funding rules. The central bank has allowed the currency to depreciate and has taken measures to improve the transmission of monetary policy. In response to renewed trade tensions and mounting downside risks (such as political unrest in Hong Kong) analysts anticipate monetary and fiscal policy support aimed at shoring up investment and consumption.

Figure 10: Chinese activity indicators have eased



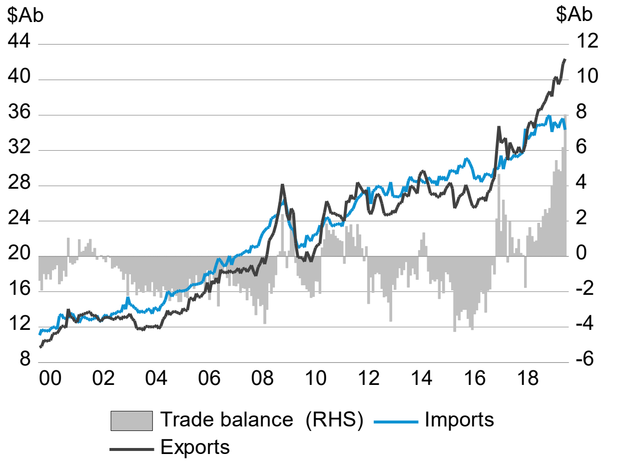
Source: China National Bureau of Statistics

…but improves in Australia

Employment in Australia lifted 41,200 in July, from a fall of 2,400 in June. On an annual basis, jobs growth increased from 2.4% to 2.6%. The unemployment rate remained steady at 5.2%. Markets continue to expect one more cut from the RBA this year, and another by March 2020. Despite strong employment growth, business conditions, as measured by the NAB Monthly Business Survey, fell from 3.6pts to 2.4pts in July, further below its long run average (since 1997) of around 6pts.

A 1.4% rise in exports and a 3.6% fall in imports led to a record trade surplus of $8 billion in June (Figure 11). This creates the possibility for the first current account surplus since the 1970s in the June quarter.

Figure 11: Record Australian trade surplus

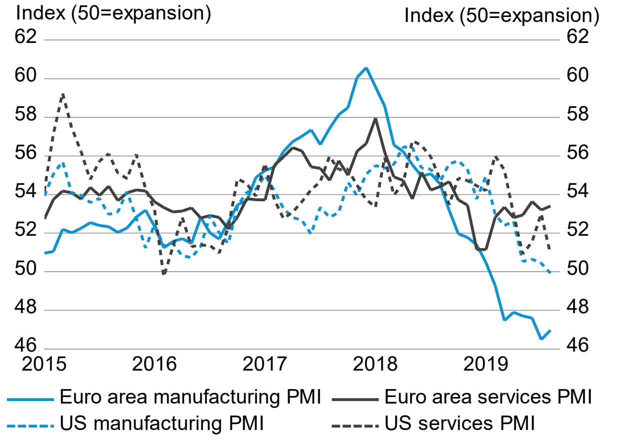


Source: Australian Bureau of Statistics

The slowdown in manufacturing continues…

US industrial production fell 0.2% in July, and continued to slow on an annual basis, from 1.1% in June to 0.5%. Weak services and manufacturing PMI outturns for August (Figure 12), suggest the economy will lose momentum in the September quarter, as trade tensions and global uncertainties weigh on activity. Manufacturing activity in the euro area remained subdued with the IHS Markit PMI at 47.0 pts in August.

Figure 12: Manufacturing sentiment remains subdued

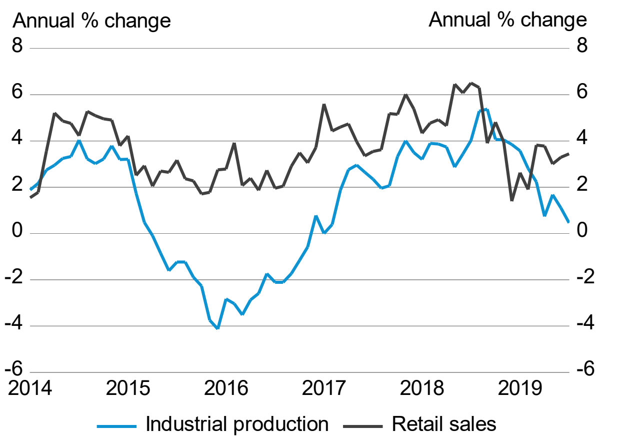


Source: IHS Markit

…but shows little signs of spilling over into services activity…

There is a risk that the global manufacturing slowdown will spill over to services activity, particularly with a sharp fall in the services PMI this month in the US. So far however, the contagion appears to be limited. US retail sales remained solid in July, up 0.7% in the month and 3.4% on an annual basis (Figure 13). The rise was reasonably broad based, reflecting a solid rise of 0.9% in core (ex-auto and gas) sales. The data suggests a solid start to September quarter consumption.

Figure 13: US industrial production falls



Source: US Bureau of Economic Statistics

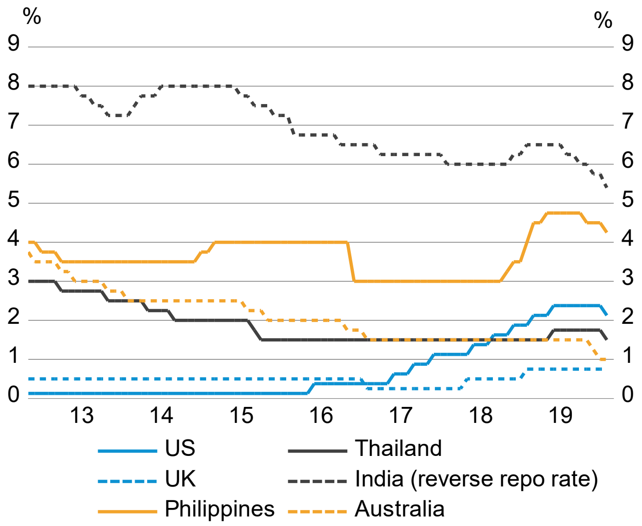
…and central banks are beginning to ease monetary policy

Despite reducing its target range for the Federal funds rate by 25 basis points to 2.00 - 2.25% (as widely expected), the decision by the US Federal Reserve to signal no further cuts this year contributed to weaker market sentiment. Fed chair Powell described the cut as a 'mid-cycle adjustment'. Minutes released from the Fed's July meeting pointed to three key reasons behind the recent 25bps rate cut: slower global growth, a desire to insure against a number of risks and uncertainties, and concerns about below-target inflation. Market pricing suggests that the Fed will cut rates at least twice before the end of the year (broadly unchanged following the release of the minutes).

The Bank of Thailand and Bank of India also cut policy rates this month, surprising markets. The Bank of Thailand cited weak exports, and the Bank of India noted a weak external environment. The Philippines Central Bank cut their policy rate by 25 basis points, following weaker-than-expected growth and inflation outturns.

As expected, the Reserve Bank of Australia (RBA) left its policy rate unchanged at 1.0%, following two consecutive 25bps cuts. Markets expect another cut in October. The Bank of England (BoE) left their policy rate unchanged but downgraded growth forecasts for 2019 and 2020, citing Brexit uncertainty and weaker global growth. The Bank said that their central view is for eventual monetary tightening, but this is contingent on a smooth Brexit. Market pricing implies a 25bps cut early next year.

Figure 14: Central banks ease monetary policy

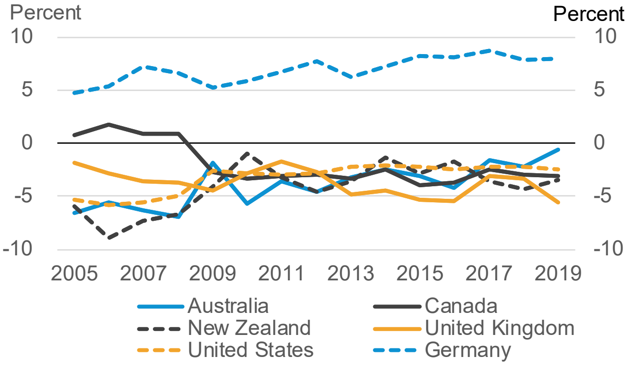


Source: Haver Analytics

Special Topic: New Zealand's Current Account

New Zealand's annual current account deficit currently sits at $10.6 billion, or 3.6% of GDP for the year ended March 2019, broadly in line with market expectations at the time of release, and broadly unchanged (in terms of % of GDP) since the Global Financial Crisis (GFC). Our balance is comparable to a range of developed countries with the notable exception of Germany, which has been consistently running current account surpluses (Figure 15).

Figure 15: Current account balance as % of GDP

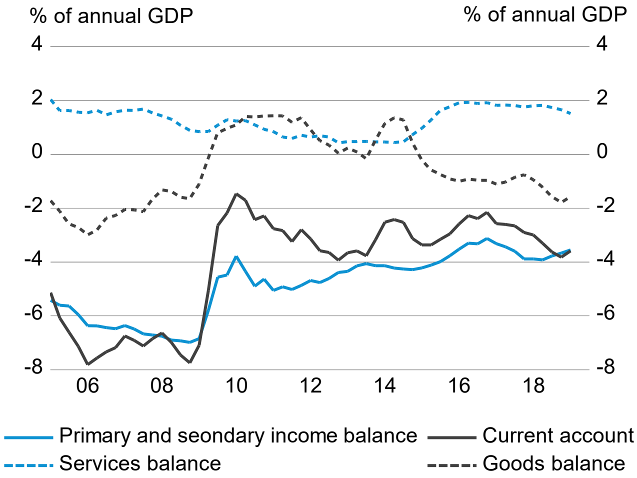


Source: OECD

Current account reflects the balance on transactions with rest of the world…

The current account of the balance of payments records the value of New Zealand's transactions with rest of the world in goods, services, and primary and secondary income. The current account is the sum of the balances of these components, and in New Zealand's case has been consistently in deficit, at around 3% of GDP on average since the end of the GFC (Figure 16).

Figure 16: Current account and its components (annual)

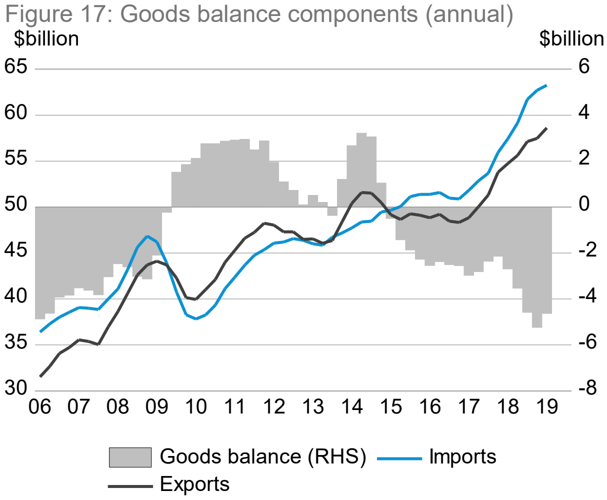


Source: Stats NZ

…goods balance impacted by commodity prices…

New Zealand's goods balance has been in deficit since early 2015 (Figure 17), with the value of imports exceeding the value of exports. A sharp contraction in imports during the economic downturn following the GFC was not matched by as large a fall in exports, as primary commodity markets were not as badly impacted, allowing New Zealand's goods balance to return to surplus until 2015.

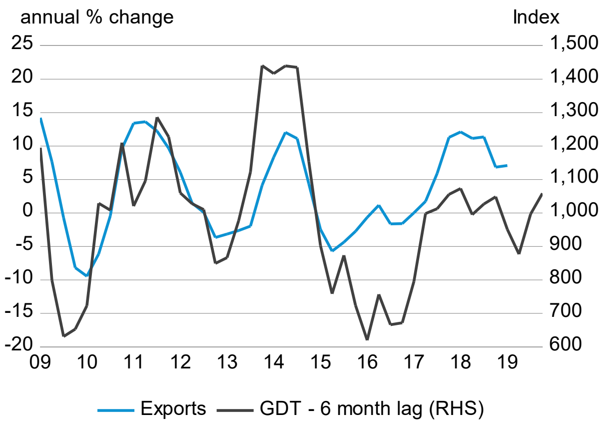
Figure 17: Goods balance components (annual)



Source: Stats NZ

Dairy products accounted for 25% of merchandise exports in the year ended June 2019, so it is little surprise that movements in global dairy prices have accounted for much of the movement in the value of merchandise goods exports in recent times (Figure 18). The fall in global dairy prices in 2014 and 2015 resulted from strong global milk supply, together with a tail-off in Chinese demand, leading to declining export revenues notwithstanding the continued expansion in milk production volumes over this period. This was enough to return the goods balance back to deficit, where it has remained since.

Figure 18: Exports and *GlobalDairyTrade* prices



Sources: Stats NZ, *GlobalDairyTrade*

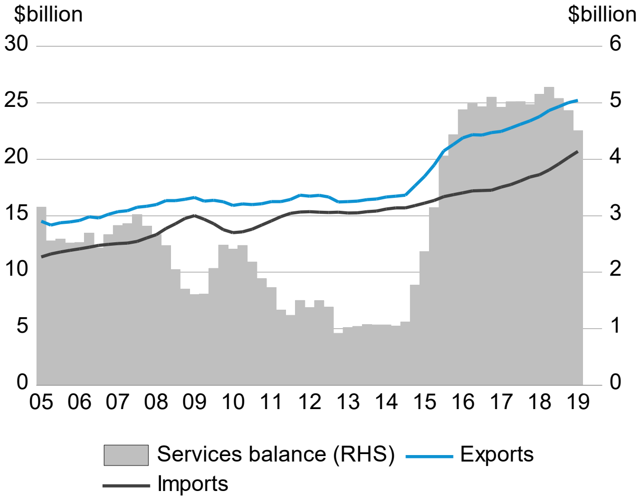
Global dairy prices have recovered somewhat since 2015, although they have yet to recover all of the ground lost from the bumper prices recorded in 2013. Easing growth in global milk supply combined with continued strength in demand (particularly from China) should see milk prices hold up over the coming year, providing further support for export revenues.

…services balance changes driven by tourism earnings…

Our trade in services balance has been consistently positive, primarily as a result of New Zealand's receipts from overseas tourists (services exports) outweighing New Zealand residents' spending overseas (services imports).

Tourism receipts for the year ended March 2019 accounted for approximately three quarters of New Zealand's services exports (Figure 19), and just over 20% of total export revenues, making it our largest single export earner.

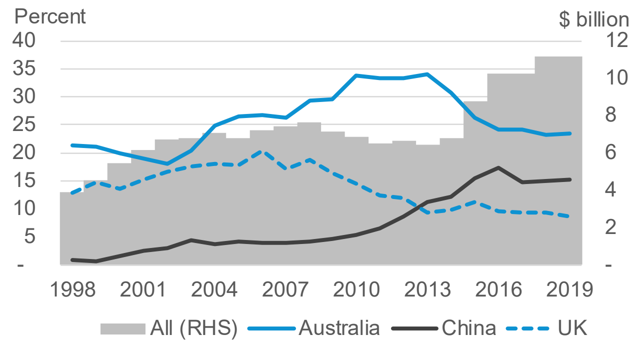
Figure 19: Services balance components (annual)



Source: Stats NZ

Strong growth in international visitor arrivals since 2014 contributed to an increasing services surplus, although the growth in international visitor arrivals has tapered off in recent months.

Figure 20: International visitor spend share (annual)



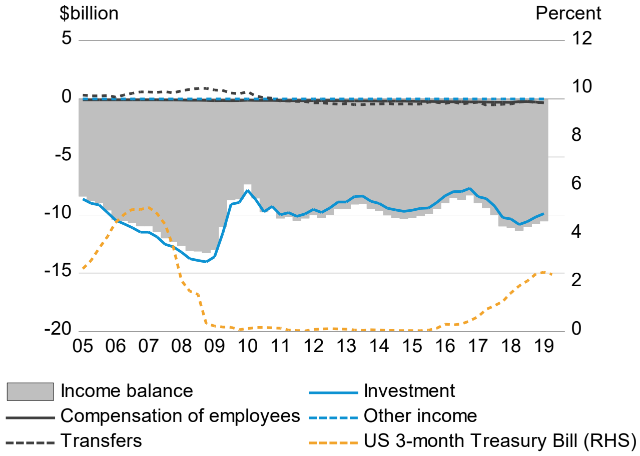
Source: MBIE – International Vistor Survey

While Australia remains our major source of both visitors and revenue, China has become an increasingly important market, now accounting for around 15% of tourism receipts (Figure 20). Chinese visitors also tend to stay longer and spend more than their Australian counter-parts, with average spend per visitor in the year ended June 2019 of $4,300 for Chinese visitors compared with $2,000 for Australian visitors.

…incomes balance a function of financing costs on our accumulated balance of net liabilities…

Conversely our income balance (which includes interest payments, dividends and reinvested earnings) has been consistently in deficit, to the tune of around $10 billion in the year ended March 2019 (Figure 21), and reflects the fact that New Zealand is in a net liability position with the rest of the world. This deficit is almost entirely due to the negative investment income balance, with income paid out on foreign investment in New Zealand exceeding income received from New Zealand investment abroad.

Figure 21: Income balance components (annual)



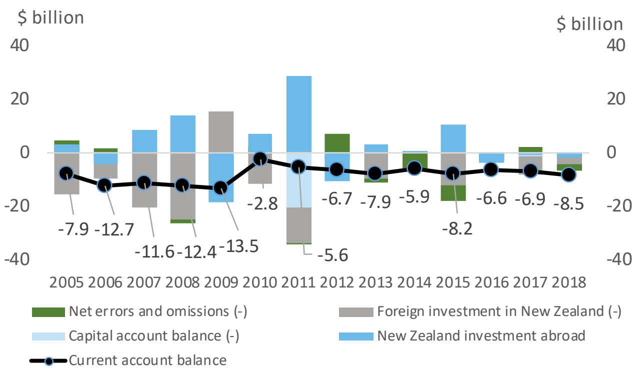
Sources: Stats NZ, Haver Analytics

This net investment income deficit has accumulated as a result of the ongoing current account deficits recorded over time. In the year ended March 2019, New Zealand's net international liability position was $156.2 billion (55.5% of GDP). The sharp decline in global interest rates following the GFC served to moderate what had been a deteriorating income balance up to 2009.

Current account deficit needs to be financed

Any deficit must be funded, and the predominant source of funding for the current account balance over most of recent history has been through foreign investment in New Zealand (Figure 22). The impact of the GFC can be seen in 2009, when foreign investment flows reversed, with foreign firms (in particular banks) reducing portfolio investment in the form of debt securities from New Zealand.

Figure 22: Funding of current account balance (annual)



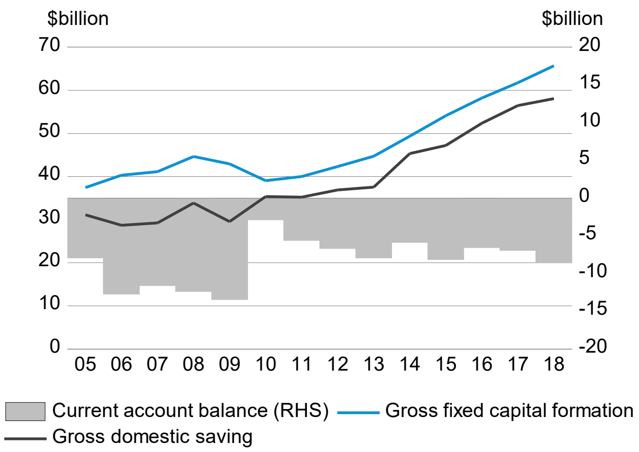
Source: StatsNZ

The impact of the Canterbury earthquakes can also be seen in the year ended March 2011, with around $21 billion capital inflow into New Zealand from reinsurance claims, which appear in the financial account as a corresponding investment.

Current account funds the imbalance between investment and national savings

The current account deficit represents additional domestic investment that is able to be financed through the associated capital inflows, beyond what is able to be funded through domestic savings (Figure 23).

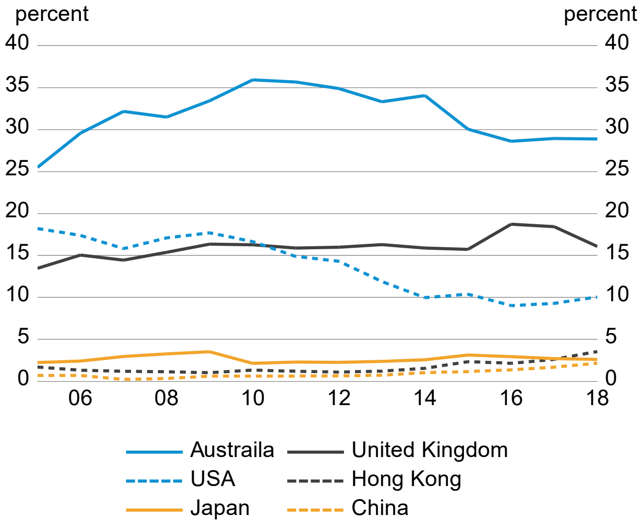
Figure 23: Investment / savings imbalance (annual)



Source: Stats NZ

Country shares of international liabilities have remained relatively stable over the past decade, with Australia accounting for the around 29% of foreign investment in New Zealand in the year ended March 2018, followed by the United Kingdom (16%) and the United States of America (10%). Investment from Hong Kong and China has become more important in recent years, however remains at low levels.

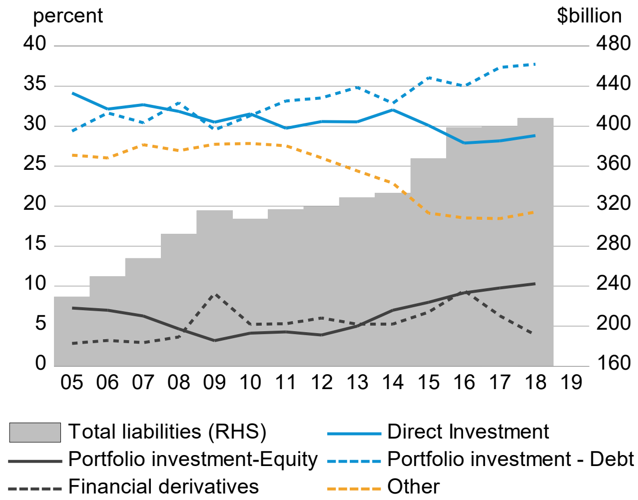
Figure 24: International liabilities – top six country shares



Source: Stats NZ

In effect New Zealand is drawing on the global pool of savings to finance investment that would not otherwise have been possible. The largest source of external financing comes from foreign lending, with debt securities accounting for 38% of foreign investment in the year ended March 2018, while direct investment (ownership of more than 50% of a New Zealand business) accounted for a further 29% (Figure 25).

Figure 25: Foreign investment in NZ by type



Source: Stats NZ

The share of foreign investment made up of debt securities has been steadily increasing over recent years. As global interest rates are at their current historically low levels, this serves to keep our financing costs (and hence income balance) in check, however should interest rates increase, this will impact relatively immediately on the current account balance. Given the softness in the current global growth outlook, we expect interest rates to remain at current (if not lower) levels over the near term, meaning the income balance should remain broadly stable.

Monthly Economic Indicators is a regular report prepared by the Forecasting team of the Treasury.

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

		2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.9	0.5	0.9	0.4	0.6	0.6	...
	ann ave % chg	3.1	3.2	3.2	3.1	2.9	2.7	...
Real private consumption	qtr % chg[1]	1.0	0.3	0.9	1.0	1.0	0.4	...
	ann ave % chg	4.7	4.1	3.7	3.4	3.2	3.2	...
Real public consumption	qtr % chg[1]	-0.4	0.4	1.2	-0.7	0.8	0.9	...
	ann ave % chg	2.9	2.8	3.0	2.1	1.9	1.9	...
Real residential investment	qtr % chg[1]	0.7	-0.5	0.8	0.5	1.9	2.7	...
	ann ave % chg	0.9	1.0	2.6	2.5	2.6	3.5	...
Real non-residential investment	qtr % chg[1]	3.3	1.1	-0.5	-2.1	1.4	1.9	...
	ann ave % chg	4.7	6.4	7.1	6.2	4.0	2.1	...
Export volumes	qtr % chg[1]	0.7	-0.1	1.9	-0.3	1.3	2.8	...
	ann ave % chg	1.8	3.0	3.6	3.7	3.1	3.6	...
Import volumes	qtr % chg[1]	3.5	1.0	1.4	-0.8	-0.1	0.7	...
	ann ave % chg	6.9	7.1	7.9	7.7	5.7	4.1	...
Nominal GDP - expenditure basis	ann ave % chg	6.2	5.6	5.6	4.9	3.9	3.9	...
Real GDP per capita	ann ave % chg	1.0	1.0	1.1	1.1	1.0	0.9	...
Real Gross National Disposable Income	ann ave % chg	3.7	3.8	3.5	3.3	2.8	2.5	...
External Trade								
Current account balance (annual)	NZ$ millions	-8,180	-8,540	-9,548	-10,565	-11,210	-10,623	...
	% of GDP	-2.9	-3.0	-3.3	-3.6	-3.8	-3.6	...
Investment income balance (annual)	NZ$ millions	-10,221	-10,343	-10,815	-10,557	-10,173	-9,879	...
Merchandise terms of trade	qtr % chg	1.4	-2.0	0.4	-0.1	-3.2	0.9	...
	ann % chg	7.9	1.8	1.2	-0.3	-4.8	-2.0	...
Prices								
CPI inflation	qtr % chg	0.1	0.5	0.4	0.9	0.1	0.1	0.6
	ann % chg	1.6	1.1	1.5	1.9	1.9	1.5	1.7
Tradable inflation	ann % chg	0.5	-0.3	0.3	1.0	0.9	-0.4	0.1
Non-tradable inflation	ann % chg	2.5	2.3	2.4	2.5	2.7	2.8	2.8
GDP deflator	ann % chg	3.4	1.3	2.2	1.1	-0.2	1.4	...
Consumption deflator	ann % chg	1.6	0.7	1.2	1.9	1.5	1.5	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.5	0.7	0.6	1.0	0.0	-0.1	0.8
	ann % chg[1]	3.7	3.1	3.7	2.8	2.3	1.5	1.7
Unemployment rate	%[1]	4.5	4.4	4.4	4.0	4.3	4.2	3.9
Participation rate	%[1]	70.9	70.9	71.0	71.0	70.9	70.4	70.4
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.3	0.5	0.5	0.5	0.4	0.7
	ann % chg	1.8	1.8	1.9	1.8	1.9	2.0	2.1
QES average hourly earnings - total[5]	qtr % chg	0.8	0.9	0.1	1.1	0.9	1.2	1.2
	ann % chg	3.1	3.5	3.0	2.9	3.1	3.4	4.4
Labour productivity[6]	ann ave % chg	-0.4	0.1	-1.1	-0.6	0.2	-0.1	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	1.4	0.7	1.2	0.6	2.0	0.6	0.3
	ann % chg	5.6	4.6	4.5	3.7	5.0	3.9	3.6
Total retail sales volume	qtr % chg[1]	1.1	0.2	0.9	0.3	1.7	0.7	0.2
	ann % chg	5.4	2.8	3.1	2.7	3.5	3.3	2.9
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	107	111	109	104	109	104	104
QSBO - general business situation[4]	net %	-11.8	-10.7	-20.0	-30.4	-17.3	-28.8	-33.7
QSBO - own activity outlook[4]	net %	18.7	10.9	6.9	18.9	19.4	0.4	-12.3

Monthly Indicators

		2019M01	2019M02	2019M03	2019M04	2019M05	2019M06	2019M07
External Sector								
Merchandise trade - exports	mth % chg[1]	-8.1	5.8	9.1	-8.7	3.6	-0.3	-7.3
	ann % chg	1.6	5.9	16.7	10.4	7.4	1.8	-5.8
Merchandise trade - imports	mth % chg[1]	-1.0	0.3	-1.7	0.1	1.3	-4.2	5.0
	ann % chg	6.9	12.8	-3.5	7.4	8.1	-10.2	3.1
Merchandise trade balance (12 month total)	NZ$ million	-6433	-6715	-5739	-5578	-5597	-4981	-5463
Visitor arrivals	number[1]	326,540	321,200	329,260	318,600	317,850	317,330	...
Housing								
Dwelling consents - residential	mth % chg[1]	13.1	1.8	-7.2	-7.7	13.5	-3.9	...
	ann % chg	30.3	28.4	8.7	-4.5	8.2	3.2	...
House sales - dwellings	mth % chg[1]	12.6	-5.2	-3.8	3.0	0.7	0.5	4.9
	ann % chg	-0.6	-6.6	-9.4	-7.2	-5.1	-0.9	3.7
REINZ - house price index	mth % chg	0.1	0.7	-0.2	-0.9	0.3	0.2	0.0
	ann % chg	2.8	3.0	2.4	1.4	1.7	1.8	1.5
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	2.1	0.6	-0.1	0.3	-0.4	0.0	-0.1
	ann % chg	3.5	3.4	0.7	4.5	3.2	1.1	1.6
New car registrations	mth % chg[1]	5.5	1.2	-3.1	1.6	-1.6	-2.8	...
	ann % chg	-12.1	-3.9	-2.9	-0.5	-12.6	-11.0	...
Migration								
Migrant arrivals	number[1]	12,650	11,810	11,450	11,150	12,180	12,120	...
Migrant departures	number[1]	8,130	7,510	7,760	7,850	8,050	9,010	...
Net migration (12 month total)	number	50,869	51,521	51,156	50,523	50,256	49,427	...
Commodity Prices								
Brent oil price	US$/Barrel	59.41	63.96	66.14	71.26	71.29	64.22	*63.92*
WTI oil price	US$/Barrel	51.45	54.96	58.14	63.86	60.85	54.65	*57.44*
ANZ NZ commodity price index	mth % chg	2.6	2.0	4.1	4.3	2.3	-4.5	-2.8
	ann % chg	3.6	3.2	5.3	8.5	5.7	1.9	0.3
ANZ world commodity price index	mth % chg	2.0	2.8	4.1	2.6	0.1	-3.9	-1.4
	ann % chg	-2.2	-2.2	0.6	2.2	0.7	-2.4	-0.5
Financial Markets								
NZD/USD	$[2]	0.6776	0.6835	0.6832	0.6730	0.6563	0.6597	*0.6684*
NZD/AUD	$[2]	0.9479	0.9571	0.9651	0.9463	0.9445	0.9501	*0.9567*
Trade weighted index (TWI)	June 1979 = 100[2]	73.59	74.14	74.24	73.23	72.26	72.51	*73.32*
Official cash rate (OCR)	%	1.75	1.75	1.75	1.75	1.50	1.50	1.50
90 day bank bill rate	%[2]	1.91	1.90	1.88	1.81	1.72	1.60	*1.56*
10 year govt bond rate	%[2]	2.33	2.18	2.02	1.96	1.80	1.63	*1.55*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	...	-30.9	-38.0	-37.5	-32.0	-38.1	-44.3
ANZ - activity outlook	net %	...	10.5	6.3	7.1	8.5	8.0	5.0
ANZ-Roy Morgan - consumer confidence	net %	121.7	120.8	121.8	123.2	119.3	122.6	116.4
Performance of Manufacturing Index	Index	52.8	53.4	51.7	52.7	50.3	51.1	48.2
Performance of Services Index	Index	56.5	53.6	52.6	52.1	53.6	53.0	54.7

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