

February 2020

Executive Summary

- ▶ **Domestic data from January signalled momentum in the NZ economy before the COVID-19 outbreak emerged, but tourism and commodity exports now face significant challenges**
- ▶ **Tightness in the labour market continues to drive wage growth, and a rebound in the housing market provides support for household consumption**
- ▶ **Rising risks from COVID-19 weigh on the global growth outlook**

Domestic data from January signalled a pickup in momentum with ANZ's Heavy Traffic Index and BusinessNZ sentiment indicators showing large gains. However, the COVID-19 outbreak is weighing on the outlook. Tourism operators and commodity exporters are experiencing negative impacts, although the full extent of these impacts is yet to be felt, and will take some time to show up in the official data. The situation is evolving rapidly; the global spread of the virus is increasing the risks of a substantial negative impact that persists for several quarters. Treasury, in conjunction with other agencies, is assessing the potential impacts over three alternative scenarios so that the Government can plan appropriately to support New Zealand businesses and households.

Data to December 2019 show that overseas visitor arrivals growth was already slowing before news of the COVID-19 outbreak, driven by a steady decline in Chinese visitors. Commodity prices also eased in January, and the price of whole milk powder fell a total of 9.0% over the two February *GlobalDairyTrade* auctions.

The Reserve Bank kept the Official Cash Rate unchanged at 1.0%, noting that employment and inflation are both around target. Despite anticipating short-term impacts from the COVID-19 outbreak, they expect accelerating economic growth in the second half of 2020 supported by government investment.

December's labour market report showed strong wage growth in 2019, driven by public sector collective agreements. The unemployment rate fell to 4.0% as the underutilisation rate reached an 11-year low, reflecting continued labour market tightness, though employment growth was muted. The labour market continues to support household income growth, and the December quarter Retail Trade Survey showed steady growth in sales volumes led by electronics sales, following a strong September quarter.

The national housing market experienced its highest number of January sales in four years and the national REINZ House Price Index was up 7.0% on the previous year. Building consent issuance also remained strong over 2019 and is expected to translate into higher building activity in 2020, although capacity pressures in the construction sector could be a limiting factor. Net migration continues to decline reaching an estimated 43,800 in 2019, with outflows of NZ citizens increasing to an estimated 9,000.

The coronavirus (COVID-19) outbreak in China, and its spread to other economies, is weighing on the near-term global growth outlook. In China, daily counts of the number of new confirmed and suspected cases are trending lower, production is gradually resuming and travel restrictions are being eased. Elsewhere, evidence of the virus' spread outside China is growing, most notably in Italy, South Korea and Iran, fuelling concerns of further global disruption.

Analysis

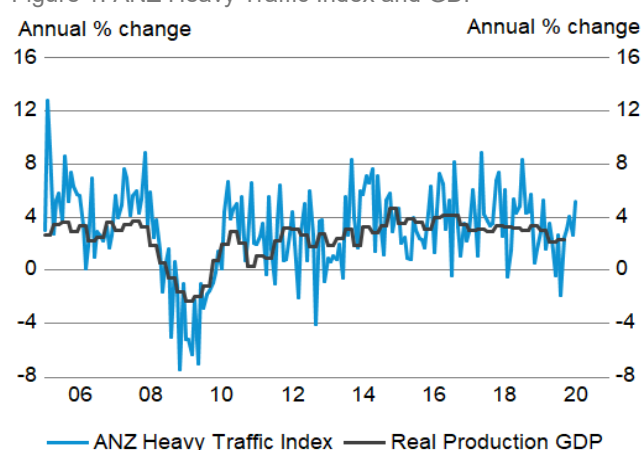
The domestic economy appeared to pick up in early 2020 as services sector sentiment rose sharply, underpinned by continued tight labour market conditions. However, the COVID-19 outbreak is weighing on the outlook. Tourism operators and commodity exporters are among the first to experience negative impacts, although the extent of these effects will take some time to show up in the official data. The situation is evolving rapidly; the global spread of the virus is increasing the risks of a substantial negative impact that persists for several quarters.

Internationally, the IMF downgraded its 2020 China growth forecast from 6.0% to 5.6%, and its 2020 global forecast from 3.3% to 3.2%. The IMF's base case is that the spread of the virus will be contained in the current quarter, with a bounce-back later in the year as pent-up demand and policy stimulus spurs activity. However, they also noted that the spread of the virus could continue for longer and more globally leading to more pronounced supply chain disruptions and creating increased uncertainty that depresses sentiment and makes the global impact more severe. In this scenario, the impacts on New Zealand would also be more pronounced.

Early indicators signal a strong start to 2020...

ANZ's Heavy Traffic index jumped 4.8% in the month of January after two weaker months. The index acts as a real-time proxy measure of economic activity, and shows a fairly strong contemporaneous relationship with real GDP growth (Figure 1).

Figure 1: ANZ Heavy Traffic Index and GDP

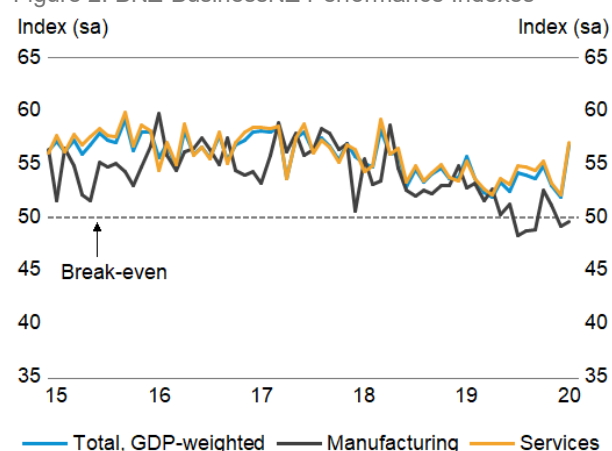


Source: ANZ, Stats NZ

The BusinessNZ Performance of Manufacturing Index increased by 0.4 points in January to 49.6, indicating that the industry remains in contraction (Figure 2). The Performance of Services Index surprised to the upside jumping 5 points to 57.1, its highest level since March 2018. Measures of new orders, sales, and employment in the services industry all rose above their long-term averages.

The GDP-weighted combined index rose 4.9 points to 56.8, which was also a high since March 2018. Although these data from January are yet to reflect the impact of COVID-19 on NZ businesses, they indicate a strong start to the year that should provide the economy with some momentum.

Figure 2: BNZ-BusinessNZ Performance Indexes

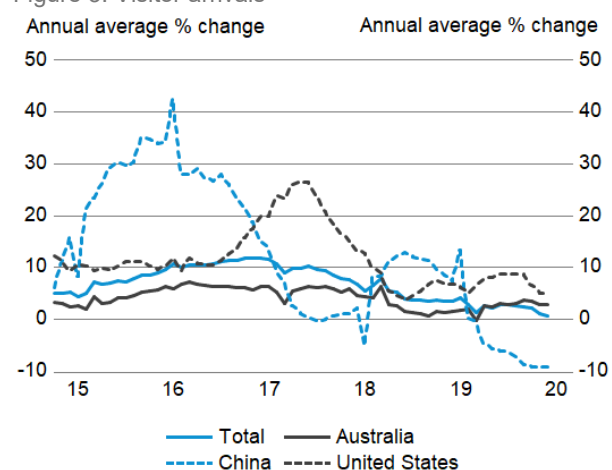


Source: BNZ-BusinessNZ

...but tourism faces easing visitor growth...

Visitor arrivals data to December 2019 show overseas visitor arrivals growth slowed to 0.7% in the year ending December (Figure 3). Visitor arrivals from China fell 9.2% in the year, led by a 12.0% fall in holiday travel. Increases in Chinese travel for education and business purposes provided a partial offset. Government travel restrictions in place throughout February mean that Chinese numbers will fall further, significantly lowering industry-wide income: in 2019, Chinese visitors spent almost \$550 million over the three months ending April 2019.

Figure 3: Visitor arrivals



Source: Stats NZ

...and commodity prices slip further

The ANZ World Commodity Price Index fell 0.9% in January as weaker meat prices pulled the overall index down, following a 2.8% drop in December. The impact of COVID-19 is yet to be captured in the

index, meaning downward pressure will likely continue through February.

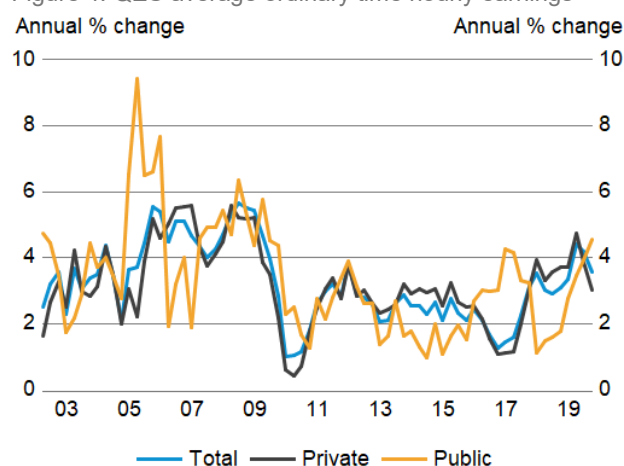
The milk price index fell 8.0% over the two February *GlobalDairyTrade* auctions, amid concerns about the impact of COVID-19 on Chinese demand. The price of whole milk powder, which is the most important for NZ farmers, fell a total of 9.0%. Recent dry conditions in NZ's North Island would typically drive up prices, but this effect appears to have been more than offset by the disruption caused by COVID-19.

Overall producer prices were up, with prices for goods and services produced in NZ rising 0.4% in the December 2019 quarter. This brought annual average growth to 2.0%, continuing the steady decline in producer price growth since the end of 2017.

The tight labour market drives wage growth...

The December Quarterly Employment Survey (QES) showed average ordinary time hourly earnings increased by 3.6% from the previous year (Figure 4). Strong growth was driven by public sector collective agreements which saw public sector average hourly earnings increase 1.2% in the quarter and 4.6% over the year.

Figure 4: QES average ordinary time hourly earnings



Source: Stats NZ

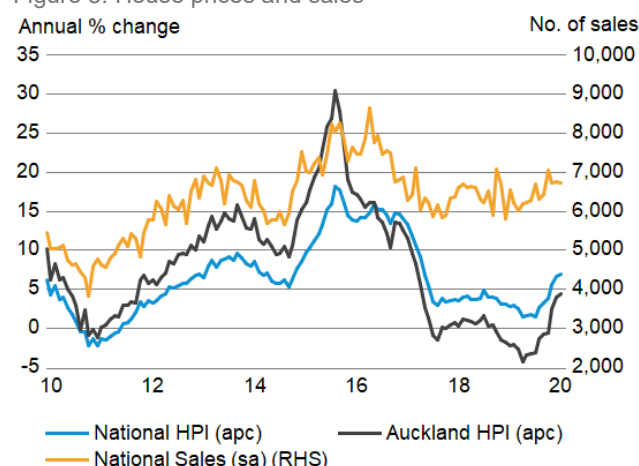
The unemployment rate fell to 4.0% in the December quarter from 4.1% as the underutilisation rate reached an 11-year low of 10%, reflecting continued tightness in the labour market. Together with scheduled increases in the minimum wage, this should provide continued support for wage growth over the coming year. Employment growth was muted, however, with an additional 1,000 people employed compared to the previous quarter.

...as the housing market heats up...

The national housing market experienced its highest January sales in four years and the national REINZ House Price Index (HPI) in January was up 7.0% on the previous year (Figure 5). Price growth in regions outside of Auckland was 9.1% compared to 4.4% in

Auckland. The rebound in house prices is expected to boost total household consumption due to the increased wealth of homeowners.

Figure 5: House prices and sales



Source: REINZ

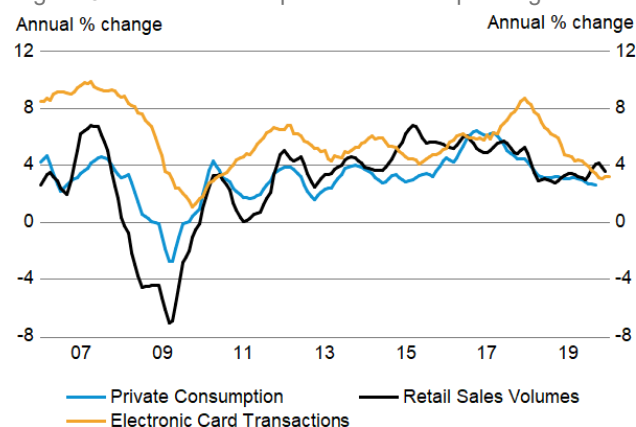
...giving support to household spending

Electronic card transactions rose 0.3% in January following a fall of 0.6% in December, for an annual growth rate of 3.8%. Retail card spending fell 0.1% driven by a 1.0% drop in the hospitality industry.

The December quarter Retail Trade Survey (RTS) showed steady growth in retail sales volumes following a strong September quarter. The volume of total retail sales rose 0.7% in the quarter, close to its recent average, following a 1.7% rise in the September 2019 quarter. Growth in retail sales was led by a 4.3% rise in electronics sales, but was pulled back by a 1.1% drop in supermarket and grocery sales, the largest retail industry.

Retail sales are a strong indicator of private consumption spending (Figure 6), so these data support our expectation that household consumption growth will remain steady in the coming quarters. The RTS is also a partial indicator of December quarter GDP, and is in line with our expectation of steady growth in the quarter.

Figure 6: Private consumption and retail spending

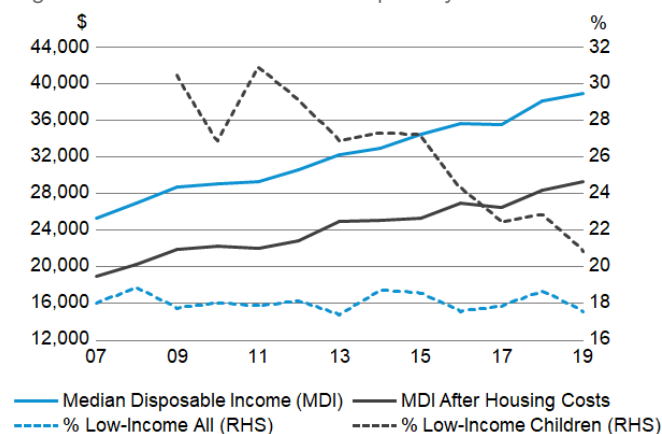


Source: Stats NZ

Disposable incomes continue to rise, with signs of progress on child poverty reduction

The 2018/19 Household Economic Survey (HES), which involved an increased sample of 20,000 households, showed median household disposable income after housing costs up 3.3% over the year (Figure 7). Rent payments rose 11% in the year ended June 2019, while mortgage payments fell 7%, driven by low interest rates. The percentage of people living in low-income households (disposable income after housing costs less than 50% of the median) fell to 17.5% from 18.6%.

Figure 7: Household incomes and poverty



Source: Stats NZ

The percentage of children living in low-income households fell 2 percentage points from the previous year to 20.8%, continuing the gradual decline since 2014/15 (Figure 7). Due to the increased sample size, the HES reported estimates for different ethnic groups for the first time. For both Māori and Pacific children, the percentage living in low-income households was 24.7%, compared to 17.0% for European children.

It should be noted that significant sampling error exists in the HES data, so real trends in poverty reduction will take time to emerge. The effect of the July 2018 Families Package will not yet be reflected.

High building consents to boost residential investment in 2020...

The number of building consents issued rose 9.9% in December, led by a 22.8% rise in the volatile multi-unit dwelling category, with a large proportion of these consents in Auckland. Standalone house consents rose 2.1% in the month.

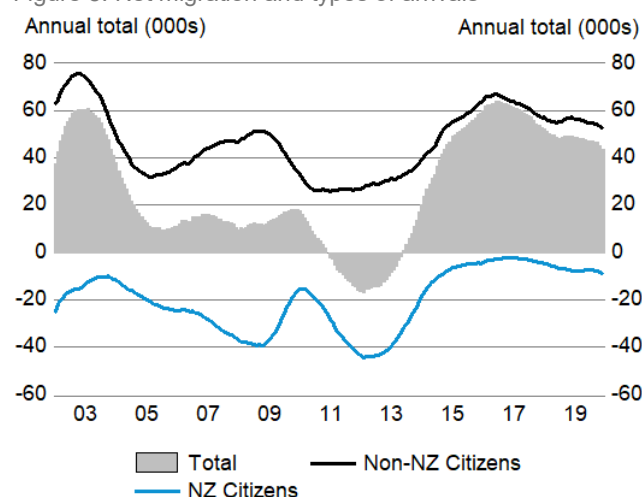
Consent issuance remains high on an annual basis, reaching 37,500 in the year to December 2019. We expect this to translate into higher building activity in 2020, although capacity pressures in the construction sector could be a limiting factor, and global supply chain disruptions caused by COVID-19 may make building materials difficult to source. Residential investment is a key driver of the economic cycle, so

the virus could have substantial impacts on the domestic economy through this channel.

...but slower migration eases population growth

Net migration continues to decline from the 2016 high of 64,000, reaching an estimated 43,800 in the year to December 2019 (Figure 8). Net migration outflows of NZ citizens increased to an estimated 9,000 as non-citizen net migration inflows fell to 52,800. Although these numbers are prone to revisions, they indicate a continued trend of falling net migration, which puts downward pressure on working-age population growth.

Figure 8: Net migration and types of arrivals



Source: StatsNZ

RBNZ continue to 'watch and wait'

In line with expectations, the Reserve Bank kept the Official Cash Rate unchanged at 1.0% in their February Monetary Policy Statement. They noted that employment and inflation are both around target, but that low interest rates are still needed to work through global headwinds. Despite anticipating short-term impacts from the COVID-19 outbreak, they expected accelerating economic growth in the second half of 2020 supported by government investment.

The costs of COVID-19 remain uncertain...

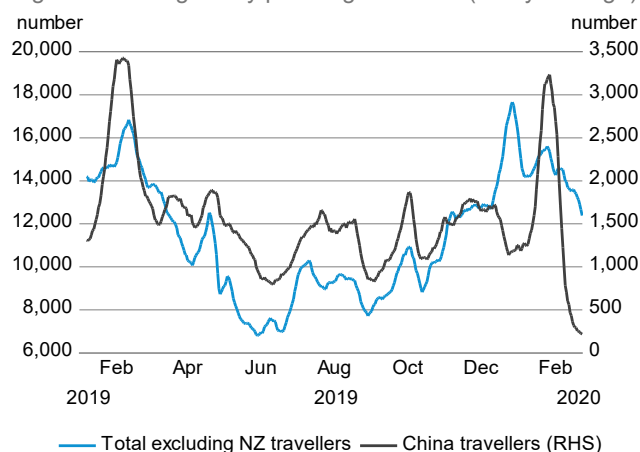
The impacts on New Zealand can be viewed through three channels: trade, financial markets, and confidence. The more persistent the virus proves to be, the larger the effects on activity are likely to be.

...with trade bearing the initial impact

Tourism is the most immediately affected industry. In 2019, Chinese visitors spent around \$550 million over the February, March and April months. Travel restrictions, which have been in place since 3 February and are currently in place until 4 March, will significantly curtail this spending. Education providers are also at risk of large income losses, with Chinese students making up close to 50% of international enrolments.

Preliminary passenger arrivals data from NZ Customs clearly shows the impact of the travel ban, with arrivals from China falling to an average of around 200 people per day over the week ended 23 February. This compares with the average of 2,000 people that arrived per day over the same period in 2019 (Figure 9).

Figure 9: Average daily passenger arrivals (7-day average)



Source: NZ Customs Service

Prices for some goods exports, including meat, forestry and seafood have fallen. These three industries face the highest risk of disruption due to the impact of port delays and the difficulty in shifting supplies to other markets. China has become an increasingly significant market for NZ exporters, and now makes up 19% of NZ's total two-way trade, up from 16% in 2014.

Overall, we expect export volumes and prices to ease in the first half of 2020. As China's activity returns to normal, so should export volumes and prices. There is a risk that disruption spreads throughout the region and beyond, further reducing export demand. Prolonged closure of borders and China's internal travel restrictions would also increasingly disrupt supply chains, causing difficulties for NZ businesses reliant on intermediate and capital goods imports.

The exchange rate provides some offset...

The exchange rate has depreciated a little against other major currencies in recent weeks, with the trade weighted index around 71.0 currently compared to an average of 72.7 over January. The lower exchange rate will provide some offset to exporters from the lower world prices being received for their goods.

...but risks are to the downside

A short-lived period of disruption is unlikely to materially impact domestic economic activity through lower business or consumer confidence. However, the risk grows as the duration and severity of disruption increases. If the impacts of the virus were to flow on to the labour market and incomes,

downward momentum may gather and result in a significant impact for the domestic economy. We will continue to watch the situation closely.

Alternative scenarios are being assessed

Treasury, in conjunction with other agencies, is assessing the potential impacts over three alternative scenarios so that the Government can plan appropriately to support New Zealand businesses and households.

Scenario one predicts a temporary global demand shock where we experience a temporary but significant impact on the New Zealand economy across the first half of 2020, before growth rebounds in the second half as exports return to normal.

The second scenario is based on a longer lasting shock to the domestic economy, as the global impact feeds through to the economy for a period of time, and where there are cases in New Zealand.

The third scenario is planning for how to respond to a global downturn if the worst case plays out around the world, and we have a global pandemic.

COVID-19 weighs on global growth outlook...

The slowdown in global growth that took hold over 2019 appeared to be stabilising following global monetary and fiscal easing and some reduction in uncertainty, including the Phase 1 US-China trade deal. However, the coronavirus (COVID-19) outbreak in China, and its spread to other economies, is weighing on the near-term growth and has created a new source of uncertainty for the outlook. But it is still too soon to know how large or persistent the disruption will be.

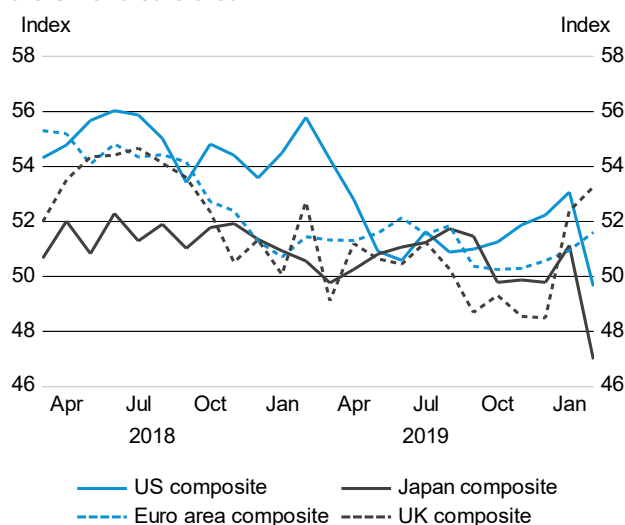
...as the outbreak spreads...

In China, the COVID-19 outbreak and measures to contain its spread are disrupting activity as production is curtailed and internal travel is restricted, although the situation is improving. Daily counts of the number of new confirmed and suspected cases reported in China are trending lower, production is gradually resuming and travel restrictions are being eased. Elsewhere, evidence of the virus' spread outside China is growing, most notably in Italy, South Korea and Iran, fuelling concerns of further global disruption.

Economic spill-overs to other economies, particularly in east Asia are apparent through declines in inbound Chinese tourism, and through commodity prices and supply chain disruptions. Early export data from South Korea showed a large fall in exports to China, although the variable timing of the Chinese lunar New Year clouds interpretation of the scale of the fall.

Outside Asia, there are some initial signs of negative impacts in the United States and Japan, where February PMI data revealed a sharp decline in business sentiment. The impacts were less apparent in the euro area and UK PMIs, which rose (Figure 10).

Figure 10: PMIs decline sharply in US and Japan but rise in the UK and euro area



Source: Haver Analytics

However, there were hints that coronavirus was affecting the manufacturing sector through longer supplier delivery times. Reassuringly, the euro area services PMI strengthened to a six-month high, helping to dispel fears that weakness in manufacturing activity would result in a broad based slowdown.

...and reduces risk appetite

Developments in financial markets over the past month have reflected evolving perceptions on the COVID-19 risks, in addition to the usual data flow. Overall, global financial markets remain supportive of economic growth. Following a period of easing over 2019 central banks in advanced economies have indicated that their policy settings remain appropriate, while acknowledging the downside risks to the outlook presented by the COVID-19 outbreak. Nonetheless, investors' concerns over a global economic slowdown have resulted in financial market pricing implying the US Federal Reserve will cut rates twice this year.

Long-term government bond rates, which had risen over late 2019 as concerns about key downside risks abated, have subsequently declined noticeably to very low levels. Equity prices have generally risen for much of the year, but declined sharply towards the end of February, coinciding with news of an increased number of COVID-19 cases outside of China (Figure 11).

Figure 11: Equities and bond yields fell sharply



Source: Haver Analytics

The full economic impacts are uncertain

The IMF downgraded its 2020 China growth forecast from 6.0% to 5.6%, and reduced its 2020 global forecast from 3.3% to 3.2%. The IMF's base case is that the spread of the virus will be contained in the current quarter, with a bounce-back later in the year as pent-up demand and policy stimulus spurs activity. However, they also noted impact could be larger and longer lasting leading to more pronounced supply chain disruptions and creating increased uncertainty that depresses sentiment and makes the global impact more severe. The strength of the bounce-back may also be impacted by changes in preferences surrounding travel or other global risks, such as renewed trade tensions or increasingly severe and frequent natural disasters stemming from climate change.

Increased policy support in east Asia...

As a result of lower growth prospects in conjunction with the COVID-19 outbreak, east Asian central banks have swiftly adopted an easing bias. The People's Bank of China (PBC) reduced interest rates on its short-term and medium-term lending operations and signalled its intention to step up counter cyclical measures. The Bank of Indonesia cut its policy rate by 25 basis points, following earlier easing moves by central banks in the Philippines, Malaysia and Thailand. Analysts expect Korea's central bank to ease policy at its forthcoming meeting.

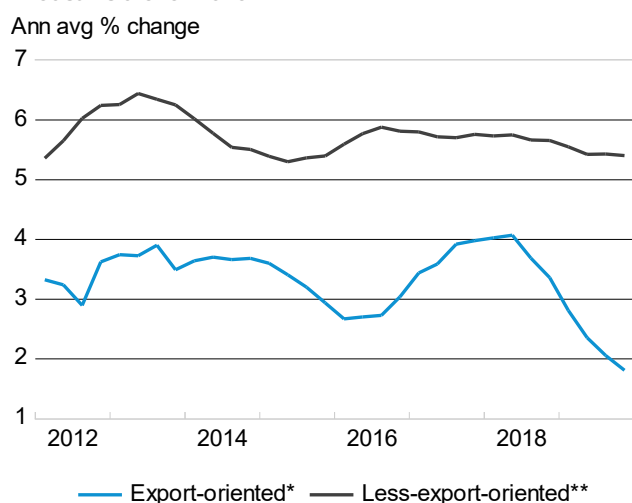
In Singapore, the Government's 2020 Budget provided significant stimulus to the economy to help offset COVID-19 related economic weakness amid ongoing fallout from the US-China trade dispute. The budget provided immediate cash flow relief for businesses affected by COVID-19 through measures including tax rebates and wage subsidies. Households received a one-off cash hand-out. The budget also contained measures to assist with the medium-term transformation of the economy,

including climate change mitigation. These measures contributed to an overall fiscal injection of around 1.5% of GDP and the largest fiscal deficit since 2009 at 2.1% of GDP. Analysts expect easier monetary policy to complement these measures in countering the external demand shock. The Singaporean Government expects growth of -0.5% to 1.5% in 2020, down from 0.5% to 2.5% in November.

...amid weaker external demand

GDP growth in most of the highly export-oriented economies in east Asia was subdued over 2019 as the US-China trade dispute weighed on activity. Other factors, including social unrest in Hong Kong and weak investment in South Korea also contributed. In contrast, growth was more resilient in the less export-oriented economies of Indonesia and the Philippines (Figure 12). The short-term outlook for the region is weighted towards further weakness as the COVID-19 outbreak disrupts supply chains and reduces travel flows within the region. However, the easing of the US-China trade tensions and supportive monetary and fiscal policies are expected to support stronger growth in the medium-term.

Figure 12: Growth weakened in export-oriented economies in east Asia over 2019.



Source: Haver Analytics, *Singapore, Hong Kong, Taiwan, South Korea, Malaysia, Thailand **Indonesia, Philippines

Japan at risk of recession

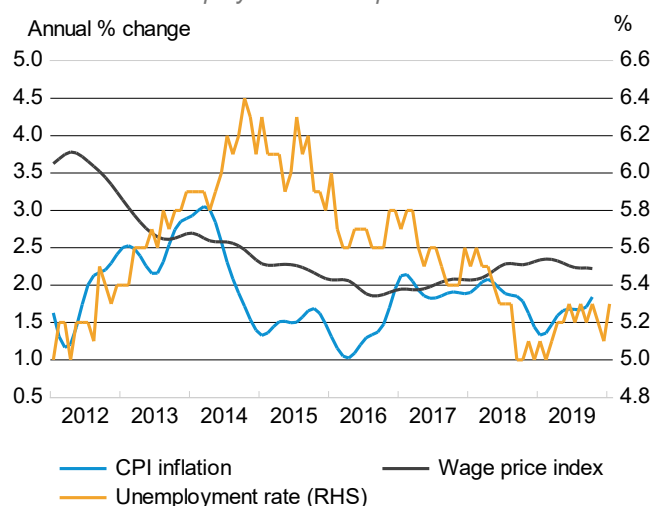
In Japan, GDP contracted 1.6% in the December quarter as private consumption spending retreated following the increase in the Value Added Tax in October. Private sector capital spending also contracted, partly reflecting weather-related disruptions as well as the impacts of the higher consumption tax. Prospects for a rebound in the March quarter have been dampened by disruption from the COVID-19 outbreak, while the possibility of lingering effects of the consumption tax hike adds to

the downside risks. The decline in February's composite PMI (from 51.1 to 47.0) supports the view that a second consecutive quarterly contraction in activity is a distinct possibility.

Australian wage and price inflation remains subdued...

Australia's unemployment rate rose to 5.3% in January from 5.1% in December, alongside increases in both the labour force participation rate and employment. Wage inflation remained subdued in the December quarter, with the annual rate stable at 2.2%. Headline inflation CPI inflation rose to 1.8% in the December quarter, but measures of underlying inflation rose a more subdued 1.6%, below the Reserve Bank of Australia's (RBA) 2.0%-3.0% objective (Figure 13).

Figure 13: Australian wage and price inflation remain subdued as unemployment ticks up



Source: Haver Analytics

...as COVID-19 and bushfires weigh on growth

The minutes of the RBA's February meeting reiterated the role of a tighter labour market in spurring progress towards its inflation and full employment goals, and its preparedness to ease monetary policy further if needed. The RBA also noted the material near-term risk to the Australian economy posed by the COVID-19 outbreak and the temporary negative effects of recent bushfires on growth. The RBA's February forecasts included a reduction of about 0.2 percentage points in the December and March quarters cumulatively from the bushfires. A reduction of 0.2 percentage points in the March quarter was included to capture the effects of COVID-19 on tourism. The RBA is forecasting GDP growth to be around 2.3% in the year ended December 2020, down from 2.8% in its previous forecast.

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

| | | 2018Q2 | 2018Q3 | 2018Q4 | 2019Q1 | 2019Q2 | 2019Q3 | 2019Q4 |
|---|------------------------|---------|---------|---------|---------|---------|---------|--------|
| Gross Domestic Product (GDP) | | | | | | | | |
| Real production GDP | qtr % chg ¹ | 1.0 | 0.6 | 1.0 | 0.4 | 0.1 | 0.7 | ... |
| | ann ave % chg | 3.2 | 3.2 | 3.2 | 3.1 | 2.8 | 2.7 | ... |
| Real private consumption | qtr % chg ¹ | 0.8 | 0.9 | 0.8 | 0.6 | 0.3 | 0.8 | ... |
| | ann ave % chg | 3.9 | 3.6 | 3.2 | 3.1 | 3.0 | 2.9 | ... |
| Real public consumption | qtr % chg ¹ | 1.9 | -0.1 | 1.2 | 1.0 | 0.7 | 1.3 | ... |
| | ann ave % chg | 3.6 | 3.4 | 3.7 | 3.9 | 3.4 | 3.8 | ... |
| Real residential investment | qtr % chg ¹ | 0.4 | 0.2 | 1.5 | 2.9 | -0.3 | -0.5 | ... |
| | ann ave % chg | 0.0 | -0.1 | 0.1 | 1.4 | 2.2 | 3.3 | ... |
| Real non-residential investment | qtr % chg ¹ | 0.2 | -1.5 | 1.4 | 2.0 | -0.1 | 0.4 | ... |
| | ann ave % chg | 12.0 | 10.8 | 7.6 | 4.7 | 2.6 | 2.3 | ... |
| Export volumes | qtr % chg ¹ | 1.1 | 0.0 | 1.2 | 2.8 | -1.0 | -2.8 | ... |
| | ann ave % chg | 3.9 | 3.5 | 2.6 | 2.8 | 2.9 | 2.6 | ... |
| Import volumes | qtr % chg ¹ | 1.1 | -0.8 | -0.1 | 0.5 | 0.0 | 2.3 | ... |
| | ann ave % chg | 8.0 | 7.8 | 5.8 | 3.9 | 1.8 | 1.2 | ... |
| Nominal GDP - expenditure basis | ann ave % chg | 6.7 | 5.8 | 4.5 | 3.9 | 3.6 | 3.8 | ... |
| Real GDP per capita | ann ave % chg | 1.5 | 1.5 | 1.5 | 1.5 | 1.2 | 1.0 | ... |
| Real Gross National Disposable Income | ann ave % chg | 3.4 | 3.4 | 3.1 | 2.8 | 2.6 | 2.4 | ... |
| External Trade | | | | | | | | |
| Current account balance (annual) | NZ\$ millions | -9,331 | -10,563 | -11,438 | -10,801 | -10,165 | -10,280 | ... |
| | % of GDP | -3.2 | -3.6 | -3.8 | -3.6 | -3.3 | -3.3 | ... |
| Investment income balance (annual) | NZ\$ millions | -11,197 | -10,937 | -10,591 | -10,244 | -9,854 | -9,428 | ... |
| Merchandise terms of trade | qtr % chg | 0.4 | -0.1 | -3.2 | 1.0 | 1.4 | 1.9 | ... |
| | ann % chg | 1.2 | -0.3 | -4.8 | -1.9 | -1.0 | 1.0 | ... |
| Prices | | | | | | | | |
| CPI inflation | qtr % chg | 0.4 | 0.9 | 0.1 | 0.1 | 0.6 | 0.7 | 0.5 |
| | ann % chg | 1.5 | 1.9 | 1.9 | 1.5 | 1.7 | 1.5 | 1.9 |
| Tradable inflation | ann % chg | 0.3 | 1.0 | 0.9 | -0.4 | 0.1 | -0.7 | 0.1 |
| Non-tradable inflation | ann % chg | 2.4 | 2.5 | 2.7 | 2.8 | 2.8 | 3.2 | 3.1 |
| GDP deflator | ann % chg | 2.2 | 1.3 | -0.1 | 1.1 | 1.9 | 2.5 | ... |
| Consumption deflator | ann % chg | 1.2 | 1.8 | 1.5 | 1.4 | 1.5 | 1.3 | ... |
| Labour Market | | | | | | | | |
| Employment (HLFS) | qtr % chg ¹ | 0.5 | 0.8 | 0.1 | 0.0 | 0.7 | 0.2 | 0.0 |
| | ann % chg ¹ | 3.2 | 2.3 | 1.9 | 1.4 | 1.6 | 1.0 | 1.0 |
| Unemployment rate | % ¹ | 4.5 | 4.0 | 4.3 | 4.1 | 4.0 | 4.1 | 4.0 |
| Participation rate | % ¹ | 70.9 | 70.9 | 70.6 | 70.3 | 70.3 | 70.4 | 70.1 |
| LCI salary & wage rates - total (adjusted) ⁵ | qtr % chg | 0.5 | 0.5 | 0.5 | 0.4 | 0.7 | 0.8 | 0.7 |
| | ann % chg | 1.9 | 1.8 | 1.9 | 2.0 | 2.1 | 2.5 | 2.6 |
| QES average hourly earnings - total ⁵ | qtr % chg | 0.1 | 1.1 | 0.9 | 1.2 | 1.2 | 0.9 | 0.3 |
| | ann % chg | 3.0 | 2.9 | 3.1 | 3.4 | 4.4 | 4.2 | 3.6 |
| Labour productivity ⁶ | ann ave % chg | -0.5 | 0.1 | 1.0 | 0.7 | 1.7 | 1.4 | ... |
| Retail Sales | | | | | | | | |
| Core retail sales volume | qtr % chg ¹ | 1.3 | 0.5 | 2.0 | 0.7 | 0.3 | 1.9 | 0.5 |
| | ann % chg | 4.5 | 3.7 | 5.0 | 3.9 | 3.6 | 5.4 | 3.3 |
| Total retail sales volume | qtr % chg ¹ | 1.0 | 0.2 | 1.7 | 0.8 | 0.2 | 1.7 | 0.7 |
| | ann % chg | 3.1 | 2.7 | 3.5 | 3.3 | 2.9 | 4.5 | 3.3 |
| Confidence Indicators/Surveys | | | | | | | | |
| WMM - consumer confidence ³ | Index | 109 | 104 | 109 | 104 | 104 | 103 | 110 |
| QSBO - general business situation ⁴ | net % | -20.0 | -30.4 | -17.3 | -28.8 | -33.7 | -39.6 | -21.5 |
| QSBO - own activity outlook ⁴ | net % | 6.9 | 18.9 | 19.4 | 0.4 | -12.3 | 8.4 | 10.9 |

Monthly Indicators

| | | | 2019M07 | 2019M08 | 2019M09 | 2019M10 | 2019M11 | 2019M12 | 2020M01 |
|---|------------------------------|--|---------|---------|---------|---------|---------|---------|---------|
| External Sector | | | | | | | | | |
| Merchandise trade - exports | mtth % chg ¹ | | -8.4 | 7.4 | 2.6 | -3.1 | 6.8 | -5.2 | 3.4 |
| | ann % chg | | -7.8 | 2.2 | 2.4 | 3.7 | 7.4 | 4.1 | 8.8 |
| Merchandise trade - imports | mtth % chg ¹ | | 4.4 | 2.7 | -1.1 | -2.4 | 6.4 | -9.7 | 3.3 |
| | ann % chg | | 2.1 | 2.9 | -2.9 | -1.5 | 2.4 | -3.0 | -4.0 |
| Merchandise trade balance (12 month total) | NZ\$ million | | -5516 | -5591 | -5321 | -5055 | -4836 | -4460 | -3866 |
| Visitor arrivals | number ¹ | | 323,950 | 327,950 | 326,990 | 326,360 | 323,400 | 326,770 | ... |
| Housing | | | | | | | | | |
| Dwelling consents - residential | mtth % chg ¹ | | -1.2 | 0.7 | 7.0 | -1.2 | -8.4 | 9.9 | ... |
| | ann % chg | | 24.3 | 6.0 | 30.8 | 16.4 | 2.7 | 22.2 | ... |
| House sales - dwellings | mtth % chg ¹ | | 6.7 | -6.0 | 2.2 | 9.5 | -4.7 | 0.8 | -0.8 |
| | ann % chg | | 6.9 | -3.4 | 8.3 | -0.3 | 1.0 | 16.3 | 3.2 |
| REINZ - house price index | mtth % chg | | 0.2 | 1.1 | 0.8 | 0.9 | 1.5 | 1.2 | 0.6 |
| | ann % chg | | 1.5 | 2.7 | 3.2 | 3.8 | 5.6 | 6.6 | 7.0 |
| Private Consumption | | | | | | | | | |
| Electronic card transactions - total retail | mtth % chg ¹ | | 0.0 | 1.2 | 0.2 | -0.5 | 3.0 | -0.9 | -0.1 |
| | ann % chg | | 2.0 | 3.1 | 0.6 | 1.6 | 5.1 | 3.9 | 4.2 |
| New car registrations | mtth % chg ¹ | | 5.8 | -1.6 | 4.5 | -3.6 | 0.8 | -0.2 | -4.8 |
| | ann % chg | | -5.4 | -5.2 | 4.7 | -6.6 | 3.0 | 5.6 | -3.5 |
| Migration | | | | | | | | | |
| Migrant arrivals | number ¹ | | 11,450 | 11,800 | 11,720 | 12,130 | 12,210 | 13,180 | ... |
| Migrant departures | number ¹ | | 7,370 | 7,530 | 7,870 | 8,370 | 9,720 | 9,250 | ... |
| Net migration (12 month total) | number | | 47,285 | 47,344 | 46,790 | 46,751 | 44,966 | 43,765 | ... |
| Commodity Prices | | | | | | | | | |
| Brent oil price | US\$/Barrel | | 63.92 | 59.04 | 62.83 | 59.71 | 63.21 | 67.12 | 63.65 |
| WTI oil price | US\$/Barrel | | 57.44 | 54.82 | 56.96 | 53.98 | 56.95 | 59.81 | 57.53 |
| ANZ NZ commodity price index | mtth % chg | | -2.8 | 3.9 | 1.4 | 1.5 | 3.5 | -6.1 | -0.4 |
| | ann % chg | | 0.3 | 3.7 | 6.5 | 9.7 | 18.8 | 12.2 | 9.0 |
| ANZ world commodity price index | mtth % chg | | -1.4 | 0.3 | 0.0 | 1.2 | 4.3 | -3.4 | -0.9 |
| | ann % chg | | -0.5 | 0.9 | 3.4 | 7.2 | 12.4 | 8.7 | 5.7 |
| Financial Markets | | | | | | | | | |
| NZD/USD | \$ ² | | 0.6684 | 0.6436 | 0.6342 | 0.6335 | 0.6399 | 0.6585 | 0.6607 |
| NZD/AUD | \$ ² | | 0.9567 | 0.9503 | 0.9321 | 0.9326 | 0.9371 | 0.9580 | 0.9630 |
| Trade weighted index (TWI) | June 1979 = 100 ² | | 73.32 | 71.76 | 70.78 | 70.53 | 70.86 | 72.73 | 72.68 |
| Official cash rate (OCR) | % | | 1.50 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 90 day bank bill rate | % ² | | 1.56 | 1.25 | 1.15 | 1.06 | 1.18 | 1.23 | 1.27 |
| 10 year govt bond rate | % ² | | 1.55 | 1.13 | 1.16 | 1.16 | 1.35 | 1.53 | 1.48 |
| Confidence Indicators/Surveys | | | | | | | | | |
| ANZ - business confidence | net % | | -44.3 | -52.3 | -53.5 | -42.4 | -26.4 | -13.2 | ... |
| ANZ - activity outlook | net % | | 5.0 | -0.5 | -1.8 | -3.5 | 12.9 | 17.2 | ... |
| ANZ-Roy Morgan - consumer confidence | net % | | 116.4 | 118.2 | 113.9 | 118.4 | 120.7 | 123.3 | 122.7 |
| Performance of Manufacturing Index | Index | | 48.3 | 48.7 | 48.8 | 52.6 | 51.2 | 49.2 | 49.6 |
| Performance of Services Index | Index | | 54.9 | 54.7 | 54.5 | 55.3 | 53.2 | 52.1 | 57.1 |

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-Business NZ