TE TAI ŌHANGA
THE TREASURY

Monthly Economic Indicators

New Zealand Government

November 2019

Executive Summary

- **Data released over November was fairly mixed, with some pointing to further slowing in GDP growth, and others indicating that growth may be levelling out.**
- **Employment growth eased in September, and the unemployment rate returned to its start-of-year level (4.2%). The relatively tight labour market is supporting stronger wage growth.**
- **Growing wages and low interest rates are supporting consumer confidence but households continue to dissave. Businesses remain downbeat but indicators of manufacturing activity are more positive.**
- **Data from abroad showed ongoing slowing in many major economies at the start of the December quarter.**
- **Trade tensions continue to seesaw, but have eased over the last month or so.**

Annual employment growth eased further in September to 1.0%, the slowest in six years, consistent with a further easing in GDP growth. However, the labour market remains relatively tight supporting stronger wage growth than has been typical over recent years. Consumer confidence improved and sits just below average.

Businesses remain pessimistic, including about their own prospects. A number of factors are weighing on confidence including rising costs in an environment in which passing through increases remains difficult and concerns remain about global economic conditions. More positively, BNZ-BusinessNZ's Performance of Manufacturing Index (PMI) returned to expansionary territory in October following a period in which the manufacturing sector has been a drag on overall GDP growth. Together with a still expansionary services index, this provides a possible early indication that GDP growth may be levelling off, following a sustained period of slowing.

Strong building consent growth bodes well for continued growth in construction and residential investment. There are also early signs that activity and prices in the housing market may be accelerating.

Data from abroad showed ongoing slowing in many major economies at the start of the December quarter, reflecting weak industrial activity which is starting to show signs of spilling over into consumer spending. US-China trade tensions have eased in recent weeks, but continue to weigh on macroeconomic activity in many other economies, including Europe and Japan.

Slow growth over the first half of the year is set to continue over the September quarter in Australia, reflecting soft retail sales, a cooling labour market and weak sentiment. Despite these conditions, RBA forecasts show annual growth of 2.3% in the December quarter, implying solid growth towards the end of the year.

Despite slowing global growth, prices for New Zealand's export commodities generally remain elevated. The main channel through which global developments appear to be affecting New Zealand is via their impact on uncertainty and business confidence. In addition, slowing global growth is a likely factor behind softer services exports growth, including tourism.

On balance, weaker-than-forecast investment and services exports are likely to see overall New Zealand GDP growth fall below Budget forecasts. Updated economic and fiscal forecasts will be released as part of the Half Year Economic and Fiscal Update on 11 December.

This month's special topic summarises findings from talks we conducted with businesses and other organisations in late September, as an input into the production of the Half Year Economic and Fiscal Update forecasts.

Analysis

Domestic data over November was fairly mixed. Labour market indicators and business confidence point to further slowing in GDP growth, however consumer confidence was more positive, and performance indexes for manufacturing and services suggest that growth may be levelling out. For households, a relatively tight labour market is supporting wage growth, while low interest rates help with debt servicing. Nevertheless, households continue to dissave, limiting the potential for a strong pickup in consumption.

Businesses remain downbeat in part reflecting rising costs and limited ability to increase prices. Together with concerns about easing global growth, and a number of challenges facing the global economy, this is impacting on their willingness to invest. Weaker-than-forecast investment and services exports growth is likely to see overall GDP growth fall below Budget forecasts. Updated economic and fiscal forecasts will be released as part of the Half Year Economic and Fiscal Update on 11 December.

Global data showed ongoing slowing in many major economies at the start of the December quarter, reflecting weak industrial activity which is starting to show signs of spilling over into consumer spending. Trade tensions continue to seesaw, but have eased over the last month or so.

Employment growth slows further…

Labour market data for the September quarter showed a further slowing in employment growth. Employment increased by 0.2% in the quarter, with annual average growth slowing to 1.0%, the slowest in six years. Consistent with the Household Labour Force Survey (HLFS) measure, the Quarterly Employment Survey's (QES) filled jobs measure increased 0.4% in the quarter with annual average growth easing to 1.1%.

The softer employment growth was reflected in only modest increases in the overall number of labour input hours in the economy. The HLFS hours worked measure was up 0.5% in the quarter and in the QES hours paid were up 0.4%. These measures were up 1.2% and 1.5% respectively on an annual average basis – consistent with further easing in GDP growth.

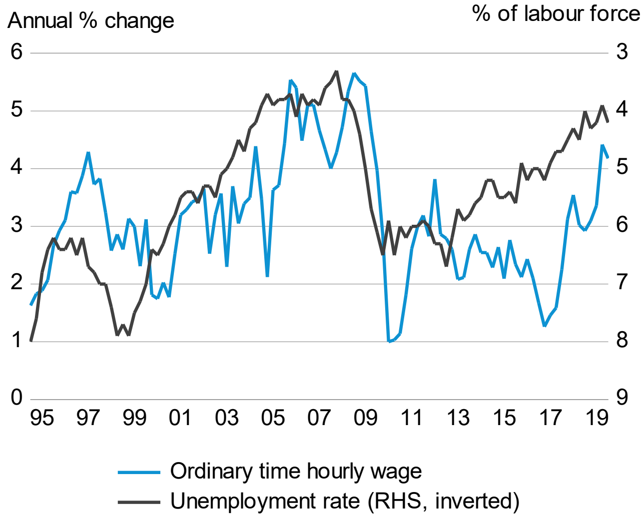
…with the unemployment rate back to where it started the year

The number of people unemployed rose by 6,000 to 115,000 taking the unemployment rate to 4.2% in September from 3.9% in the June quarter and back to the rate that prevailed at the beginning of the year (Figure 1). However, the underutilisation rate (a broader measure of labour market capacity) fell to 10.4% - its lowest level since June 2008 – following a 15,000 decline in the number of people underemployed.

The labour market remains relatively tight, supporting wage growth

Despite the slight increase in unemployment, the labour market remains fairly tight, consistent with survey measures of firms' difficulty in finding labour. This appears to be flowing through to higher wage increases than have been the case in recent years. QES ordinary time average hourly earnings were up 4.2% in September 2019 from a year ago, with increases in both the public and private sectors close to 4%.

Figure 1: Unemployment and wage growth



Source: StatsNZ

Other factors supporting higher wage growth include public sector wage settlements for teachers, nurses and police as well as increases to the minimum wage. Stronger wage growth was also apparent in the Labour Cost Index. This measure controls for promotions, performance-related pay and length of service, and increased 2.5% from a year ago – the strongest annual increase since 2009.

Net migration remains the dominant driver of population growth

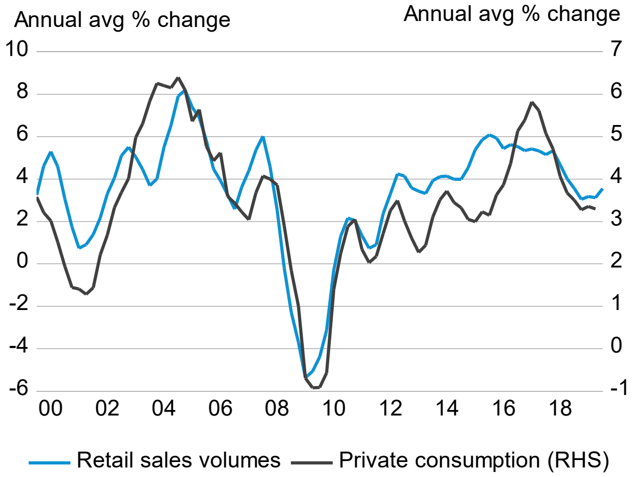
There was a net gain of 54,600 migrants over the year to September. This was up 10.3% on the previous year, although down slightly from 56,400 in the year to July. Caution needs to be applied when using the most recent data as they remain subject to revision. However, net migration continues to be the dominant factor in the increase in New Zealand's population and hence a driver of changes to overall demand as well as labour supply.

Strong September quarter retails sales growth…

Retail sales volumes increased 1.6% in the September quarter, suggesting robust private consumption growth in the September quarter (Figure 2). This follows softer results over the first half of 2019. Increased sales of electronic goods made the largest contribution to higher retail sales. Higher supermarket and department store sales were also a factor. Again, this follows weak supermarket sales growth in the first half of 2019, particularly given continued population growth.

To the extent that electronic goods sales represented 'one-off' sales as households upgraded televisions or purchased streaming equipment ahead of the Rugby World Cup, there is the potential for some pullback in sales in the following quarter.

Figure 2: Retail trade and private consumption



Source: StatsNZ

…although softer start to December quarter

While retail sales showed strong growth, a timelier indicator of domestic spending, electronic card transactions, showed a 0.6% decline in retail card spending in the month of October. Retail card spending growth has slowed throughout the past year, falling from 5.4% on an annual average basis in October last year to 2.6% in October 2019. This likely reflects both a degree of spending caution by New Zealand households along with slower spending growth by overseas visitors.

If sustained, improved consumer confidence as reported by ANZ-Roy Morgan in November, bodes well for retailers heading into the peak Christmas season. The rise follows falls in recent months and returns headline confidence to just below its long run average. While consumers' views on future conditions improved 6 points from 106 to 112, consumers remain less optimistic about the future than about current conditions. Consumers' views on current conditions are likely to have been supported by the current state of the labour market, as well as the impact of low interest rates on debt servicing.

Businesses become less confident about their own prospects…

Businesses however are less positive about the future. ANZ's Business Outlook survey showed a further decline in businesses' views of their own activity, with a net 4% of firms expecting a deterioration. This was the weakest since 2009.

…as costs rise faster than output prices

A reasonably common message from our talks with businesses has been that costs, including for labour, have been increasing but competitive factors make it hard to pass these through to final prices (see this month's Special Topic).

September's Producers Price Index (PPI) showed that on average, across all industries, output prices (up 1.0%) moved by about the same percentage as input prices (up 0.9%) in the quarter but for the year as a whole input prices (up 2.1%) increased faster than output prices (up 1.8%).[1]

However, positive signs for manufacturing…

More positively for businesses in the manufacturing sector, BNZ-Business NZ's Performance of Manufacturing Index (PMI) returned to expansionary territory in October, reaching its highest level in six months at 52.6, up from 48.8 in September. This included a strong increase in the new orders sub-index up to 56.2, its highest level since May 2018.

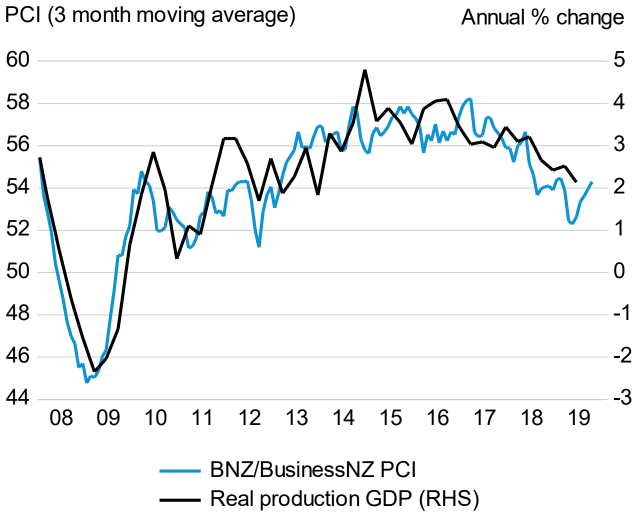
The manufacturing sector has been a drag on growth over the past year, with the industry detracting from growth in three of the past four quarters. While much of this weakness has been related to primary food manufacturing, affected by agricultural conditions, the weakness was wider spread in the June quarter. The rebound in the PMI is therefore a positive sign for GDP later in the year.

…and continued expansion in services may signal that we are close to the trough in growth

The BNZ-BusinessNZ Performance of Services Index (PSI) also saw a smaller rise in October, up just under a point to 55.4. This is slightly above its long term average. The combined manufacturing and services index rose 1.3 points to 55.1 and provides tentative signs that the gradual easing in GDP growth of the past couple of years may be coming to an end (Figure 3).

1 The PPI do not include prices for items related to capitalised expenditure, non-operating income, financing costs, and employee compensation (ie wages).

Figure 3: Combined Performance Index and GDP



Sources: BNZ/BusinessNZ, StatsNZ

Continued population growth spurs highest numbers of new dwelling consents for 45 years…

Consenting activity continues to grow strongly. Building consents rose 7.2% in September as a large increase in multi-unit consents more than offset a monthly decline in house consents. In the year to September 36.4 thousand new dwellings were consented, up 12% on the previous year. We expect strong consent activity over 2019 to drive a pick-up in building activity growth over the rest of 2019 and into 2020.

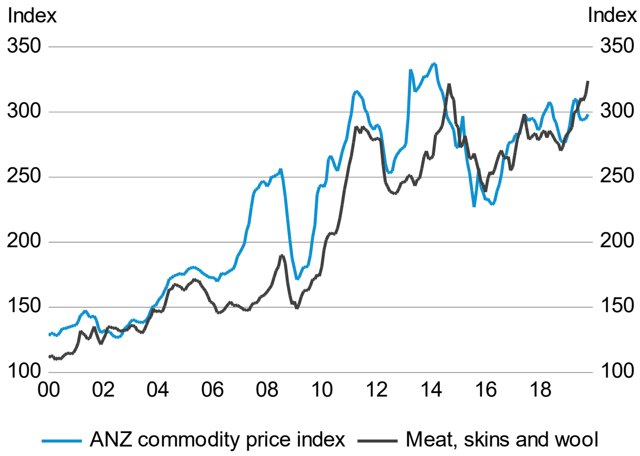
…and early signs of increased housing market activity

The number of dwelling sales nationally picked up to its highest level since October 2018 in October, while annual house price growth has also been accelerating. Nationally, REINZ's house price index shows house prices increased 3.9% on an annual basis in October following slower annual growth in the middle of the year. The pickup in annual growth reflects strong 9.3% price growth outside of Auckland, combined with fairly flat (from a year ago) Auckland prices.

Commodity prices remain resilient to slowing global growth…

An important channel through which global economic ructions and uncertainty can influence the New Zealand economy is via their impact on commodity prices. The ANZ World Commodity Price Index rose 1.2% in October to be 7.2% higher than in October 2018. While this is just over 10% lower than the peak reached in early 2014 (when dairy prices were exceptionally high), it is up about 30% from the lows of early 2016. Combined with the softer New Zealand dollar, the ANZ New Zealand dollar index is close to its record high.

Figure 4: ANZ world commodity price indexes



Source: ANZ

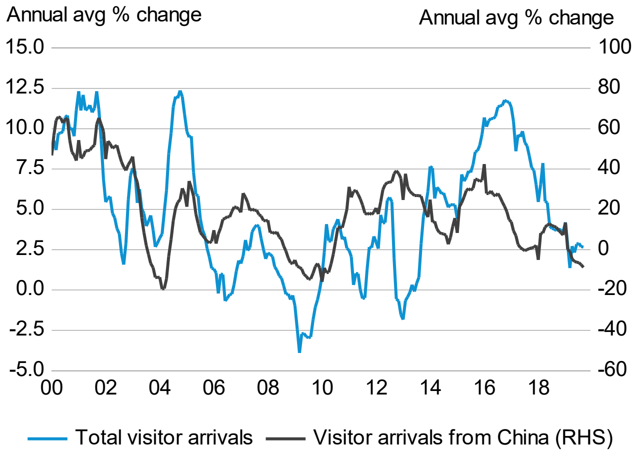
For the most part, demand has been resilient despite slower global growth and persistent uncertainty surrounding the outlook for trade policy. Strong demand for meat, including from China where pork production is constrained owing to African Swine fever, has seen record prices. ANZ's Commodity Price Index showed a near 20% increase in the world price of meat, skin and wool since October 2018 (Figure 4). However, prices for some goods, particularly forestry and aluminium, have eased over the past year. The fall in forestry prices was concentrated in July, with prices broadly stable since then.

Global dairy auction prices continued their recent appreciation into November. The GDT Dairy Price Index has increased by 8.4% since the beginning of September, supporting Fonterra's higher payout forecast for 2019/20.

…although tourism growth has slowed

Tourism growth has slowed as the rate of increase in visitor arrivals has declined. Visitor arrivals increased by 2.5% in the year to September 2019. Over the same time arrivals from China were down 8.8% (Figure 5). Both the slowing growth in numbers, as well as the composition of visitors (visitors from China tend to stay longer, and spend more than the average) have been detracting from travel-related services exports over the past year. While several factors, including peak season capacity constraints, are likely to have played roles in this slowing, slowing global growth provides less favourable conditions for future growth.

Figure 5: Visitor arrivals growth



Source: StatsNZ

Official cash rate unchanged

The Monetary Policy Committee kept the Official Cash Rate (OCR) at 1.0 percent, noting that economic developments since August did not warrant a change to monetary settings at this time. The decision surprised the market. Market pricing is tilted to a further cut in the OCR by mid-2020. This represents about one less 25 basis point cut than was incorporated in October, with the shift reflecting a reassessment following the November Monetary Policy Statement combined with a slightly more favourable flow of data.

The Reserve Bank also kept its Loan-to-Value Ratio (LVR) restrictions unchanged in late November.

Annual GDP figures likely to alter historical growth performance

StatsNZ's release of annual national accounts data through to the March 2019 year, suggest that growth in real GDP for the March 2018 year may be revised up. The annual national accounts provides current price (nominal) estimates on a March year basis. These estimates use more comprehensive but less timely information than quarterly GDP estimates.

Annual nominal expenditure GDP for the year to March 2018 was $3.3 billion higher, rising to $4.2 billion higher for the year to March 2019. With previous years relatively unchanged, this is likely to flow through to stronger growth when quarterly GDP data is released on 19 December. As price estimates are usually fairly unaffected by revisions, this suggests that real GDP growth, particularly for the year to March 2018, is likely to see significant upward revisions.[2] This may affect the interpretation of New Zealand's growth performance over a period for which current data shows a fairly consistent easing in growth.

Higher levels of nominal GDP will also lower slightly fiscal ratios such as core Crown net debt to GDP. For the year to June 2019, this currently stands at 19.2% but higher nominal GDP is likely to see it just under 0.3 percentage points of GDP lower.

Elsewhere the annual release showed that households continue to dissave at modest rates, with the household saving rate fairly stable at -0.3% of net disposable income, the fifth successive year that spending has exceeded income.

The OECD downgrade the global outlook…

The latest OECD economic outlook showed world growth of 2.9% in 2019 and 2020, before picking up modestly to 3.0% in 2021 (Table 1). The outlook for 2020 was revised down marginally from September, due to downwards revisions to emerging market economies such as Mexico, India and Saudi Arabia. The report argues that much of the weaker outlook is as much about structural factors as cyclical, and therefore monetary and fiscal policy may not be enough to counter the slowdown. The risks are still viewed as being skewed to the downside and include further trade and cross-border investment restrictions, ongoing Brexit uncertainty and a greater than forecast slowdown in China.

Table 1: OECD real GDP growth forecasts (apc)

	2019	2020	2021
World	2.9	2.9	3.0
OECD	1.7	1.6	1.7
Australia	1.7	2.3	2.3
Euro area	1.2	1.1	1.2
China	6.2	5.7	5.5
US	2.3	2.0	2.0
UK	1.2	1.0	1.2
NZ	2.7	2.5	2.4

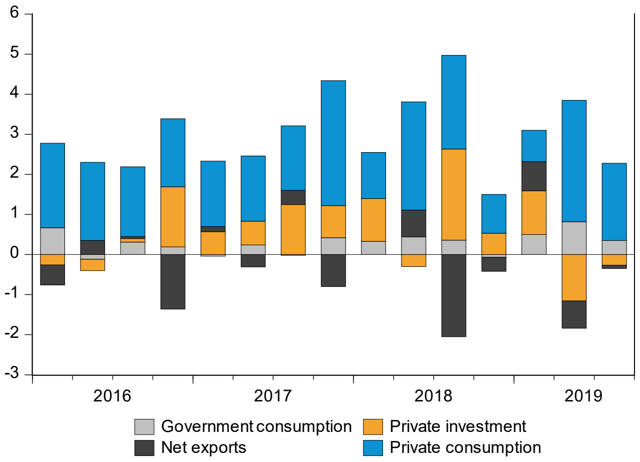
Source: OECD

…as growth slows in the US…

Annual US real GDP growth slowed to 2.0% in the September quarter, from 2.3% in the June quarter. Business investment declined in the quarter, while growth was supported by both public and private consumption, areas that have remained resilient over 2019 (Figure 6). Net exports were a modest drag on growth.

2 However, StatsNZ has signalled that prices for the housing and household utilities component of household consumption will incorporate new rental price indexes.

Figure 6: US GDP growth breakdown



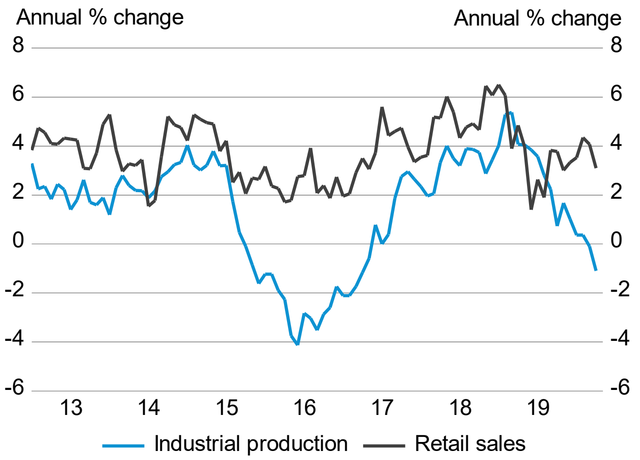
Source: US Bureau of Economic Statistics

…and the outlook weakens further

The US economy looks set to slow further in the December quarter, with US retail sales growth easing to 3.1% on an annual basis in October, from 4.1% in September (Figure 7). Industrial production was also weak, falling by 0.8% in October, to be down 1.1% on an annual basis, though this was compounded by a strike at General Motors, which pushed down auto production by 7.1%. Industrial production continues to face several headwinds such as weak global demand and international trade uncertainty.

US employment growth eased to 128,000 in October from 180,000 in September. On an annual basis, employment growth slowed from 1.5% to 1.4%. The unemployment rate ticked up from 3.5% to 3.6%. Wage growth held steady at 3.0%. October retail sales data, coupled with slowing employment growth suggest the slowdown in industrial production may be starting to spill over into consumption.

Figure 7: US industrial production and retail sales



Source: Haver Analytics

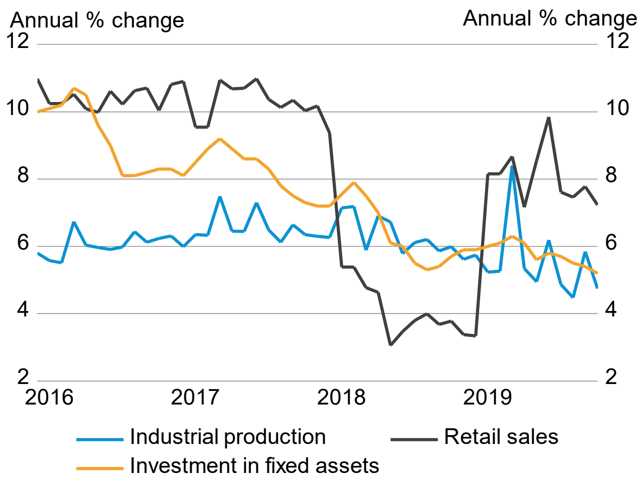
Overall, October activity data are consistent with December quarter US GDP growth slowing to around 0.3 – 0.4%, from growth of 0.5% in the September quarter. This would bring the annual average growth rate to around 2.3% from 2.4% in the September quarter, in line with the OECD projections (Table 1).

The Federal Reserve have acted to shore up activity in the US, lowering the main policy rate three times this year. At their latest meeting, the Fed lowered the policy rate by 25bps to a target range of 1.5% - 1.75%. The Fed also changed the language of the statement on monetary policy, which analysts interpret as a signal that the Fed will pause its cutting cycle.

Activity in China also slows…

Annual investment growth eased slightly to 5.2% in October, from 5.4% in September. Annual industrial production growth eased from 5.8% to 4.7% despite stimulus measures aimed at supporting the manufacturing sector. Retail sales growth eased, but remains high (Figure 8). Credit growth slowed to $661 billion yuan in October, from $1,690 billion yuan in September. The People's Bank of China (PBoC) lowered the one-year and five-year loan prime rates slightly, reducing company funding costs to shore up slowing economic activity. Overall, the slowing in activity suggests trade tensions and financial de-leveraging are still affecting the economy and further monetary and fiscal stimulus may be required to support growth.

Figure 8: Domestic activity in China



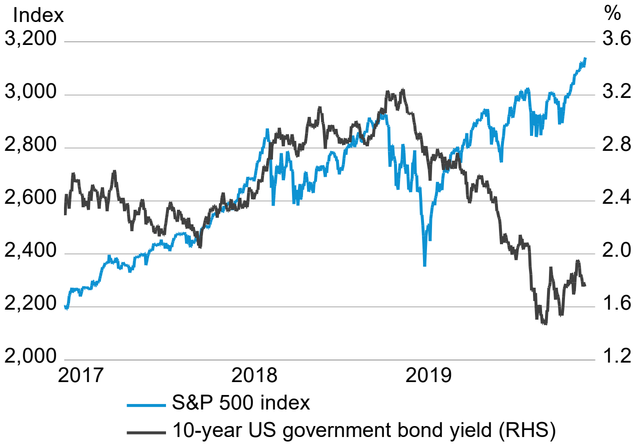
Source: National Bureau of Statistics of China

…while trade tensions seesaw

News flow surrounding trade tensions continues to seesaw, with latest reports suggesting that the 'Phase One' interim trade agreement between China and the US may not be completed until next year. In other news, the US approved another 90-day extension for US companies doing business with Huawei. This is the third such extension.

While short-term news flow continues to drive market movements, prospects of a US-China trade agreement have generally supported sentiment over the last month. This has led to equity markets reaching record highs and stabilisation in bond markets as investors pare back expectations of future monetary easing and allocate funds away from bonds to more risky asset classes (Figure 9).

Figure 9: S&P 500 and 10-year US government bond yield



Source: Haver Analytics

Trade tensions continue to be evident in Japanese data, where growth slowed from 0.4% in the June quarter to 0.1% in the September quarter. The outturn was driven by weak manufacturing and exports. Exports continued to slow in October, down 9.9% on an annual basis. The economy is expected to slow further in the December quarter and into 2020, as trade tensions constrain the external sector and consumption slows, following the 1 October sales tax increase. However, accommodative monetary policy and the 2020 Olympics should support growth.

Activity remains sluggish in Europe…

Germany narrowly avoided a recession in the September quarter, with growth of 0.2%, up from -0.1% in the June quarter. Euro area growth was steady at 0.2% in the September quarter, and 1.2% on an annual basis. Growth in the euro area continues to face persistent external headwinds, a weak industrial sector and a cooling labour market. Looking forward, these factors are expected to keep growth subdued.

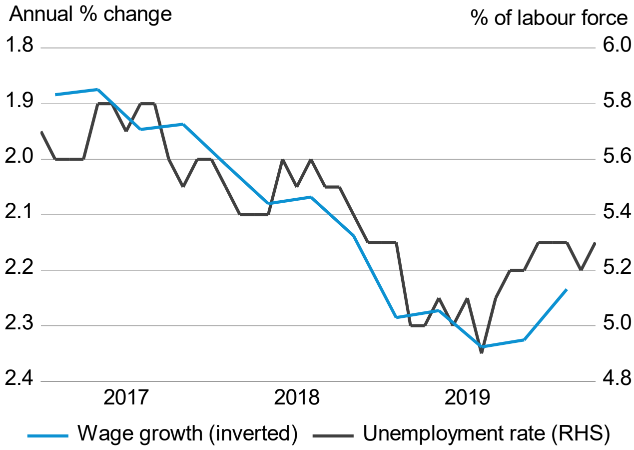
UK GDP growth was 0.3% in the September quarter, up from -0.2% in the June quarter. The economy slowed to 1.0% on an annual basis, from 1.3% previously. Weak business investment and industrial production continues to weigh on the UK economy reflecting ongoing Brexit uncertainty.

…and Australia

Growth in Australia is expected to remain subdued in the September quarter, following slowing growth over the first half of the year (1.4% in the year to June 2019). Retail spending fell 0.1% in the September quarter, down from a 0.2% gain in the June quarter. On an annual basis, retail sales continued to fall and are now in negative territory, down 0.2%. The data suggest that tax rebates and interest rate cuts are yet to filter through to consumer spending.

Employment in Australia fell by 19,000 in October, while annual growth cooled to 2.0%, from 2.5% in September. The unemployment rate edged up to 5.3% from 5.2%, and the underemployment rate increased from 8.3% to 8.5%. Annual wage inflation slowed slightly from 2.3% to 2.2% in the September quarter, consistent with increasing spare capacity in the labour market (Figure 10).

Figure 10: Wage growth and unemployment



Source: Australian Bureau of Statistics

Business conditions and business confidence recovered slightly in October according to the NAB Monthly Business Survey. However, both indices remain below their long run averages.

As widely expected, the Reserve Bank of Australia (RBA) held the cash rate at 0.75% at their latest meeting, but maintained an easing bias. Market expectations imply just over a 50% chance for another rate cut next year. Despite low business confidence and slowing employment, RBA forecasts show growth of 2.3% in the December quarter, implying solid growth over the second half of the year.

While domestic activity remains subdued in Australia, the external sector remains strong. The trade surplus lifted to $7.2b in September, from $6.6b in August.

Special Topic: HYEFU 2019 Business Talks

In late September, officials from the Treasury visited a range of businesses and other organisations to discuss the outlook for the economy.

Overall, the sense gathered was that businesses are doing okay, with economic growth expected to continue albeit at a lower level. This overall picture is somewhat at odds with business confidence surveys, such as the Quarterly Survey of Business Opinion (QSBO), which indicates more of a negative sentiment among businesses. Indeed, some businesses commented on this, noting that demand from other businesses for their products is stronger than they would expect given surveyed business confidence levels.

Many businesses expressed uncertainty about the future – both in terms of the international outlook and in terms of domestic conditions. Uncertainty over future policy developments was a common theme. Businesses also commented that they are facing compressed margins – with rising costs (labour, in particular) combined with an inability to increase prices.

Demand remains strong in some sectors…

Most businesses had a positive outlook about demand for their products. Businesses commented that residential and non-residential construction is strong, that there is good demand and high prices for agricultural products, and steady manufacturing demand.

Companies in the retail and tourism sectors commented that they expected demand growth to be lower than previously, but are not expecting a fall. Some tourism businesses noted that growth in recent history had been very high, so were comfortable with the respite of a period of slower growth.

Commodity exporting businesses mentioned concern over the global economic environment (slowing worldwide growth, and uncertainty from the US/China trade war and Brexit); however, they commented that nevertheless they expect demand for their products to hold up.

… and the labour market is very tight

Most firms stated that it was very difficult to find labour, consistent with data from the QSBO and low unemployment levels. Some businesses also commented that they were facing issues with delayed work visa approvals, particularly problematic where foreign labour use was particularly high (such as hospitality businesses in tourism centres).

Businesses reported that they are seeing higher than normal wage inflation due to minimum wage increases and the tight labour market more generally. Some businesses reported that the minimum wage increases have flowed on to higher wage expectations for higher-paid staff, to ensure relativities are maintained.

Businesses are facing squeezed margins...

Many businesses reported that they are facing squeezed margins – with rising costs but an inability to pass these on through higher prices. This inability was often attributed to the internet, due to the impact it has had on both price transparency and increased competition from offshore.

Some businesses commented that they are able to ameliorate this margin squeeze by reducing their reliance on labour (for example, in the retail sector, by increasing focus on online sales, which is a less labour-intensive sales channel) and by seeking lower-cost inputs, particularly from offshore. However, these businesses noted these measures only partially offset their margin squeeze; overall, the profitability outlook is weakening.

…and business investment is slowing

Businesses commented that credit conditions are generally good with very low interest rates. Despite this, most firms we visited were not planning large-scale investment in the near term. Uncertainty was a common reason for this reticence, with businesses citing factors including:

- the slow-down in expected economic growth internationally
- the August cut in the OCR by 50 basis points, with some businesses taking the unexpectedly large cut as a signal that the economy is slowing more than anticipated
- capacity constraints in the construction sector making it difficult to take on new large-scale projects
- concern over potential changes in Government policy – with the Zero Carbon Bill and the Essential Freshwater changes cited as examples.

A few businesses also commented that the pipeline of future major infrastructure investments is unclear. They noted that several large investments are nearing completion, and that they are unsure if there will be new projects to move onto once those are completed. These businesses expressed a risk that, without a clearer pipeline, workers will move to Australia resulting in an erosion in our future capacity for large-scale infrastructure projects. The New Zealand Infrastructure Commission has subsequently published an updated pipeline of New Zealand's planned infrastructure.

Sentiment among farmers is particularly low

A common theme was that confidence among farmers was very low – due to concerns over potential changes in Government policy (water quality and climate change).

Farming businesses expressed concern about the Zero Carbon Bill and potential changes to the Emissions Trading Scheme. Farmers were aware of the long-term price indications used in reports, such as the Productivity Commission report on the transition to a low carbon economy, so had a sense that emissions prices would be higher at some point in the future and that they would be exposed to those prices.

Farming businesses also mentioned that commodity prices are elevated at present, creating some room to absorb costs from new regulations. However, they noted that commodity prices are volatile, so there is concern about the impact of any new regulations should prices fall.

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

		2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	0.5	0.9	0.3	0.7	0.6	0.5	...
	ann ave % chg	3.2	3.2	3.1	2.8	2.7	2.4	...
Real private consumption	qtr % chg[1]	0.3	1.0	1.0	1.0	0.4	0.5	...
	ann ave % chg	4.1	3.7	3.5	3.3	3.4	3.3	...
Real public consumption	qtr % chg[1]	0.4	1.3	-0.5	1.0	1.1	0.6	...
	ann ave % chg	2.7	3.0	2.2	2.2	2.4	2.1	...
Real residential investment	qtr % chg[1]	-0.8	1.2	0.2	2.0	3.1	-0.2	...
	ann ave % chg	1.0	2.6	2.5	2.6	3.6	4.0	...
Real non-residential investment	qtr % chg[1]	0.9	-0.2	-2.2	1.4	2.0	-0.9	...
	ann ave % chg	6.4	7.1	6.2	4.0	2.1	0.7	...
Export volumes	qtr % chg[1]	-0.5	1.5	-0.6	1.5	2.7	-1.8	...
	ann ave % chg	3.6	3.9	3.5	2.6	2.8	2.6	...
Import volumes	qtr % chg[1]	1.3	0.9	-0.7	-0.1	0.6	-0.3	...
	ann ave % chg	7.2	8.0	7.8	5.8	3.9	1.8	...
Nominal GDP - expenditure basis	ann ave % chg	5.7	5.7	4.9	3.9	3.8	3.6	...
Real GDP per capita	ann ave % chg	1.4	1.5	1.4	1.2	1.1	0.8	...
Real Gross National Disposable Income	ann ave % chg	3.7	3.5	3.3	2.8	2.4	2.2	...
External Trade								
Current account balance (annual)	NZ$ millions	-8,136	-9,331	-10,563	-11,438	-10,801	-10,234	...
	% of GDP	-2.8	-3.2	-3.6	-3.9	-3.6	-3.4	...
Investment income balance (annual)	NZ$ millions	-10,652	-11,197	-10,937	-10,591	-10,244	-9,857	...
Merchandise terms of trade	qtr % chg	-2.0	0.4	-0.1	-3.2	1.0	1.6	...
	ann % chg	1.8	1.2	-0.3	-4.8	-1.9	-0.8	...
Prices								
CPI inflation	qtr % chg	0.5	0.4	0.9	0.1	0.1	0.6	0.7
	ann % chg	1.1	1.5	1.9	1.9	1.5	1.7	1.5
Tradable inflation	ann % chg	-0.3	0.3	1.0	0.9	-0.4	0.1	-0.7
Non-tradable inflation	ann % chg	2.3	2.4	2.5	2.7	2.8	2.8	3.2
GDP deflator	ann % chg	1.4	2.2	1.0	-0.3	1.3	1.9	...
Consumption deflator	ann % chg	0.7	1.2	1.9	1.6	1.5	1.7	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.5	0.5	0.8	0.1	0.0	0.6	0.2
	ann % chg[1]	2.5	3.2	2.3	1.9	1.3	1.4	0.9
Unemployment rate	%[1]	4.3	4.5	4.0	4.3	4.2	3.9	4.2
Participation rate	%[1]	70.7	70.8	70.8	70.7	70.3	70.3	70.4
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.3	0.5	0.5	0.5	0.4	0.7	0.8
	ann % chg	1.8	1.9	1.8	1.9	2.0	2.1	2.5
QES average hourly earnings - total[5]	qtr % chg	0.9	0.1	1.1	0.9	1.2	1.2	0.9
	ann % chg	3.5	3.0	2.9	3.1	3.4	4.4	4.2
Labour productivity[6]	ann ave % chg	0.6	-0.5	0.0	0.7	0.3	1.4	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	0.7	1.2	0.5	2.0	0.8	0.3	1.8
	ann % chg	4.6	4.5	3.7	5.0	3.9	3.6	5.4
Total retail sales volume	qtr % chg[1]	0.2	1.0	0.2	1.7	0.9	0.2	1.6
	ann % chg	2.8	3.1	2.7	3.5	3.3	2.9	4.5
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	111	109	104	109	104	104	103
QSBO - general business situation[4]	net %	-10.7	-20.0	-30.4	-17.3	-28.8	-33.7	-39.6
QSBO - own activity outlook[4]	net %	10.9	6.9	18.9	19.4	0.4	-12.3	8.4

Monthly Indicators

		2019M04	2019M05	2019M06	2019M07	2019M08	2019M09	2019M10
External Sector								
Merchandise trade - exports	mth % chg[1]	-8.8	3.6	-0.2	-8.5	7.4	2.6	-2.9
	ann % chg	10.4	7.3	1.7	-7.8	2.2	2.6	4.3
Merchandise trade - imports	mth % chg[1]	0.1	1.4	-4.3	4.3	2.8	-0.8	-2.5
	ann % chg	7.4	8.1	-10.3	2.1	2.9	-2.6	-1.4
Merchandise trade balance (12 month total)	NZ$ million	-5578	-5602	-4987	-5516	-5591	-5330	-5037
Visitor arrivals	number[1]	318,290	318,570	318,500	323,140	327,640	327,250	...
Housing								
Dwelling consents - residential	mth % chg[1]	-7.3	14.7	-3.9	-1.1	0.9	7.2	...
	ann % chg	-4.5	9.3	3.4	24.3	6.0	30.8	...
House sales - dwellings	mth % chg[1]	3.0	0.7	0.7	6.7	-6.0	1.8	8.4
	ann % chg	-7.2	-5.1	-0.5	6.9	-3.4	7.6	-4.0
REINZ - house price index	mth % chg	-0.9	0.2	0.2	0.2	1.3	1.0	0.9
	ann % chg	1.4	1.7	1.7	1.5	2.7	3.3	3.9
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.6	-0.5	0.3	0.1	1.3	0.2	-0.6
	ann % chg	5.0	3.4	1.5	2.0	3.1	0.6	1.6
New car registrations	mth % chg[1]	2.0	-1.4	-2.8	5.9	-1.4	4.5	-3.3
	ann % chg	-0.5	-12.6	-11.0	-5.4	-5.2	4.7	-6.6
Migration								
Migrant arrivals	number[1]	11,540	11,960	12,100	12,660	12,230	11,690	...
Migrant departures	number[1]	7,460	7,990	7,990	7,900	8,080	8,250	...
Net migration (12 month total)	number	55,660	55,342	55,548	56,405	55,993	54,624	...
Commodity Prices								
Brent oil price	US$/Barrel	71.26	71.29	64.22	63.92	59.04	62.83	*59.71*
WTI oil price	US$/Barrel	63.86	60.85	54.65	57.44	54.82	56.96	*53.98*
ANZ NZ commodity price index	mth % chg	4.3	2.3	-4.5	-2.8	3.9	1.4	1.5
	ann % chg	8.5	5.7	1.8	0.3	3.7	6.5	9.7
ANZ world commodity price index	mth % chg	2.6	0.0	-3.9	-1.4	0.3	0.0	1.2
	ann % chg	2.2	0.7	-2.4	-0.5	0.9	3.4	7.2
Financial Markets								
NZD/USD	$[2]	0.6730	0.6563	0.6597	0.6684	0.6436	0.6342	*0.6335*
NZD/AUD	$[2]	0.9463	0.9445	0.9501	0.9567	0.9503	0.9321	*0.9326*
Trade weighted index (TWI)	June 1979 = 100[2]	73.23	72.26	72.51	73.32	71.76	70.78	*70.53*
Official cash rate (OCR)	%	1.75	1.50	1.50	1.50	1.00	1.00	1.00
90 day bank bill rate	%[2]	1.81	1.72	1.60	1.56	1.25	1.15	*1.06*
10 year govt bond rate	%[2]	1.96	1.80	1.63	1.55	1.13	1.16	*1.16*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	-37.5	-32.0	-38.1	-44.3	-52.3	-53.5	-42.4
ANZ - activity outlook	net %	7.1	8.5	8.0	5.0	-0.5	-1.8	-3.5
ANZ-Roy Morgan - consumer confidence	net %	123.2	119.3	122.6	116.4	118.2	113.9	118.4
Performance of Manufacturing Index	Index	52.7	50.2	51.1	48.2	48.6	48.8	52.6
Performance of Services Index	Index	52.1	53.7	53.2	54.9	54.7	54.5	55.4

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