Monthly Economic Indicators

THE TREASURY
Kaitohutohu Kaupapa Rawa

November 2013

Executive Summary

- **Economic outlook for New Zealand continues to strengthen...**
- **...as the labour market improves more substantially, agricultural production rebounds from the drought, business and consumer confidence remains buoyant, and annual retail sales growth is robust...**
- **...contributing to emerging inflationary pressures**
- **International outlook largely positive, albeit with risks, supporting market sentiment**

The near-term outlook for the New Zealand economy continues to strengthen and it is among the fastest growing in the developed world. In the OECD's *Economic Outlook* released during the month, New Zealand's GDP growth is expected to rise to 3.3% in 2014, compared to the average growth for OECD nations of 2.3%.

The labour market has begun to pick up more substantially after stalling in recent years. Employment growth accelerated in the September quarter, driving a fall in the unemployment rate to 6.2%. Higher hourly wage rates and more hours worked each week led to robust growth in gross weekly earnings, with real (inflation-adjusted) wage growth also solid. Along with buoyant consumer confidence and increasing net inward migration, the improving labour market contributed to strong annual retail sales growth, with volumes rising 4.3% in the September 2013 year.

Growth is also becoming more broad-based. Indicators point to solid growth in the manufacturing sector, despite ongoing headwinds from an elevated NZD, while indicators for the wider service sector are also positive in response to strengthening household demand. In addition, the economy is recovering from the drought and business confidence is near 15-year highs.

While pricing pressures in the economy remain modest at present, there are signs that this is changing, as is expected with the economy beginning to grow more strongly and spare capacity being utilised. These pressures are becoming evident in inflation expectations, as well as producer and capital goods prices.

Internationally, developments in advanced economies were largely positive in November, led by resilient United States activity in spite of the October government shutdown, and lifted expectations of a December start to tapering, although March remains the most likely. China's outlook remained stable, although other emerging Asian economies were softer.

This month's special topic examines how the 2008-2013 recession and recovery compares with previous economic cycles in New Zealand's history.

New Zealand Government

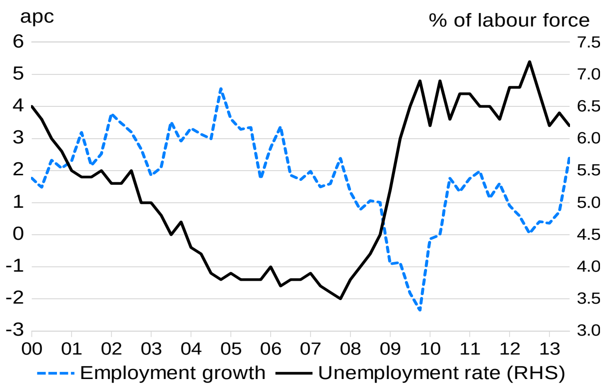
Positive outlook continues...

The near-term outlook for the New Zealand economy continues to strengthen and it is among the fastest growing in the developed world. In the OECD's *Economic Outlook* released during the month, New Zealand's GDP growth is expected to rise to 3.3% in 2014, compared to the average growth for OECD nations of 2.3%. The labour market has begun to pick up more substantially, consumer and business confidence remains buoyant and annual retail sales growth is strong, pointing to robust growth in real GDP in the second half of 2013 and into early 2014. The recovery from the drought will also boost growth in the second half of this year. Consistent with a pick-up in the economy, there are further signs of pricing pressures beginning to emerge, although they remain modest at present.

...as the labour market strengthens...

The labour market strengthened more substantially than had been seen previously, with employment rising 27,000 (1.2%) in September, to be 53,700 (2.4%) higher for the year; the annual increase in employment was the strongest since the December 2007 quarter (Figure 1). The improvement is also extending beyond the Canterbury region, with employment in Auckland up 55,500 (8.0%) in the year. The national employment rate (the proportion of the working-age population in employment) rose 0.7% points to 64.4%, its highest level since June 2009, further indicating a turnaround in the labour market.

Figure 1: Employment growth and unemployment rate



Source: Statistics NZ

The strong employment growth drove a fall in the unemployment rate by 0.2% points to 6.2% in the September quarter, 1.0% point below its post-GFC peak in the previous September quarter.

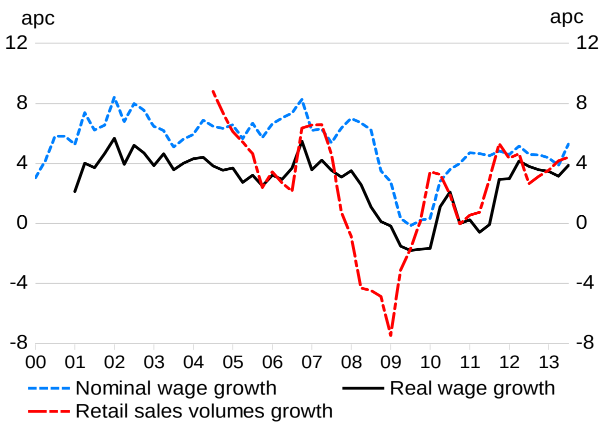
The improvement in the labour market was more positive than expected and is a signal that economic growth is becoming more sustainable, with firms typically taking on more labour when they are confident that higher demand will continue. Another positive from the release was the increase in the proportion of people participating in the labour force, showing that people are moving into jobs as the recovery accelerates, with the increased labour supply dampening pressures on resources and prices.

...leading to higher earnings...

Growth in average hourly earnings (ordinary time) rose to 2.6% in the year to September 2013, up from 2.1% in the previous quarter, but remains relatively subdued. The main industries that contributed to the growth were construction (+5.6%) and public administration and safety (+3.8%). The annual increase in the construction sector was the strongest since the March 2009 quarter, suggesting growing capacity pressures in the industry.

While the growth in hourly earnings was still relatively subdued, total weekly gross earnings rose a robust 1.8% in the quarter, to be 5.3% higher for the year. This was driven equally by a combination of higher hours paid and hourly earnings. This robust annual growth is contributing to solid retail sales growth, especially when taking into account the relatively low annual inflation rate, meaning real wage growth is also solid (Figure 2). This is contributing to higher PAYE tax revenue, which was up 5.7% in the three months to September from a year ago.

Figure 2: Wages and retail sales volumes



Source: Statistics NZ, Treasury

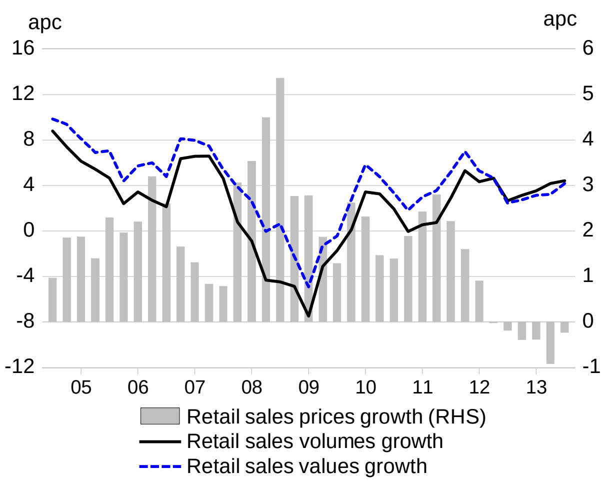
...contributing to strong annual retail sales growth

The improvement in the labour market has helped to drive strong retail sales volumes growth of 4.7% in the September 2013 year, up from 4.2% in the previous quarter. The furniture and hardware, building & garden supplies industries saw sales volumes increase strongly over the year, up 14.3% and 14.0% respectively. This is owing in part to the rebuild and repair activity taking place in the Canterbury region, as well as increasing activity in the housing market throughout the country.

The other industry that has been showing strong growth in retail sales is motor vehicles and parts, with volumes up 9.7% in the year. Sales in this area have been assisted by falling prices (-1.4% in the year), which have been driven by the elevated NZD as well as global trends in the industry. Fuel sales volumes fell in the quarter as prices rose 4.8%.

Retail prices have been soft in aggregate for some time, with a high exchange rate and strong competition keeping prices low. This has helped to increase volumes of retail sales, with values growth (taking into account price changes) slower. However, in the September quarter, retail prices rose 0.3%, bouncing back from a significant fall in the June quarter. This resulted in the annual movement in retail prices easing to -0.2%, from -0.9% in the previous quarter (Figure 3). Much of the quarterly rise in prices was driven by higher fuel and food prices, mirroring the quarterly rise in CPI inflation, which means that some of this pressure is only temporary or seasonal.

Figure 3: Retail sales



Source: Statistics NZ

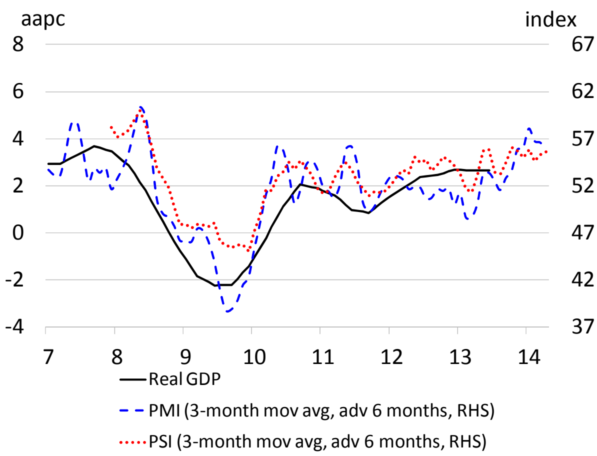
The outlook for retail sales and overall consumption remains solid. Electronic card transactions for the October month rose strongly (1.1%), pointing to ongoing strength in the December quarter. Also supportive of spending was ANZ consumer confidence in November, which rose to 127.1, a 3½ year high. Households also thought it was a better time to buy a major household item, which is consistent with more growth in durable goods, including motor vehicles.

Growth becoming more broad-based...

The retail industry has been benefiting from a stronger household sector, with buoyant consumer confidence, rising incomes and higher employment, with other sectors now beginning to feel the impulse of the higher demand as well. The manufacturing sector, while facing headwinds from an elevated NZD, especially against the AUD, is becoming more confident, with the PMI rising 1.5 points to 55.7 in October. The PMI has now been in expansion for 11 consecutive months. The positive result is also supported by the higher employment and hours worked in the manufacturing industry in the September 2013 year.

In addition to retail, other services industries are also looking positive. The PSI rose 1.8 points in October to 58.8 and was at its highest level since November 2007. Within the survey, wholesale trade and health & community services were the strongest performers, although all industries were above 50.0, indicating expansion.

Figure 4: Real GDP, PMI and PSI



Source: Statistics NZ, BusinessNZ, Treasury

Both the PMI and PSI are reasonable indicators for the direction of GDP growth (Figure 4). These, along with other indicators, such as the ANZ regional trends indicator that was up 4.1% in the twelve months to September, and the ANZ business outlook, which saw business confidence rise close to 15-year highs, point to broad-based and higher annual GDP growth in the year ahead. September quarter GDP is due for release on 19 December, and will include significant revisions to historical GDP. The recent release of annual GDP for the March 2013 year included revisions to household savings, the current account and components of expenditure GDP, but does not change the outlook for the economy significantly.

...as net migration supports the housing market...

Adding to overall demand in the economy is the strong turnaround in net migration over the past year. The October month was particularly strong, with a net 3,000 new migrants (s.a.), the largest monthly increase since June 2003. Compared to the previous month, departures were broadly stable at low levels, with the increase coming from a greater number of arrivals.

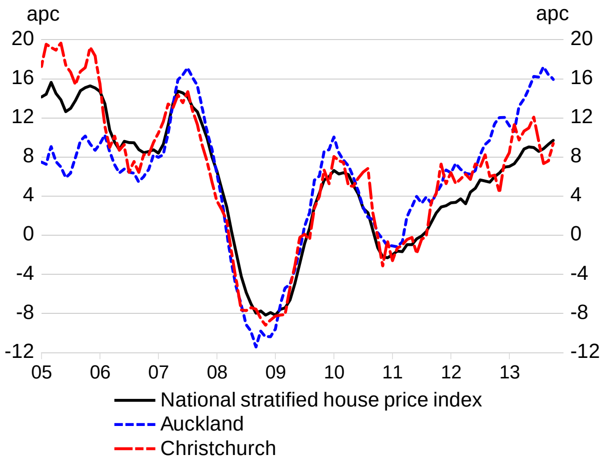
Annual net migration rose to 17,500 in the October year, compared to a net loss of 2,300 in the October 2012 year. The largest net gains in migrants came from the United Kingdom (5,900), China (5,500) and India (5,200), while the net loss to Australia of 23,500 was well down from the peak loss of 40,000 in the August 2012 year.

The increase in annual migration, while adding significantly to demand, should also eventually add to supply, increasing the capacity in the economy. However, in the near term, it will put additional resource pressures on the economy. This is particularly evident in the primary regions that new migrants are moving to: Canterbury and Auckland. Auckland house price growth is the fastest in the country, reflecting increased demand and lack of supply; these pressures should begin to moderate over the next few years as more dwellings are constructed and higher interest rates temper demand. The Canterbury region faces pressures as the rebuild ramps up, with workers moving to the region requiring accommodation, but again, these pressures should ease as more houses are built.

According to REINZ, annual growth in the 3-month moving average of house prices rose to 9.7% in October, while the annual growth in prices in Auckland eased slightly (Figure 5).

Clouding the analysis of house prices is the 1 October introduction of loan-to-value restrictions (LVRs) by the Reserve Bank. While there was a significant reduction in high-LVR lending in October, it is too early to assess what impact this is having on aggregate housing market activity and it could be several months before the full effect emerges as pre-approvals are run down and home buyers adjust. Nevertheless, we expect house price inflation to remain elevated in light of the high migration inflows, but to ease as more supply comes on line in Canterbury and Auckland.

Figure 5: REINZ house prices – 3-month moving averages



Source: REINZ, Treasury

...contributing to greater inflationary pressures

While pricing pressures in the economy remain modest at present, there are signs that this is starting to change, as is to be expected with the economy beginning to grow more strongly and spare capacity being absorbed. Inflation expectations are an important anchor in the economy and, according to the Reserve Bank expectations survey, remained broadly steady in the December quarter, holding onto the jump seen in the September quarter. Two-year ahead inflation expectations currently sit at 2.3%, up from 2.06% in the June quarter.

The capital goods price index (CGPI) showed some emerging price pressures in the September quarter, albeit remaining modest in aggregate, rising 0.4%. This took the annual increase to 0.9%, slightly up from the previous quarter. Driving the rise were higher prices for residential and non-residential buildings, which rose 0.9% and 0.8% respectively in the quarter. While the annual price rise for residential buildings edged higher, it was slower than was expected following a 1.4% increase in the June quarter. This could be owing to a number of reasons, including a slowing of momentum in the Canterbury rebuild, or cost pressure being kept under control by firms and the government. On the plant, machinery and equipment side, a large proportion of which is imported, prices continued to fall, although the magnitude of the declines eased. This is consistent with a decline in the NZD against four of the five major traded currencies during the quarter.

Prices received by New Zealand producers, as measured by the output producers price index (PPI), rose 2.4% in the September 2013 quarter, to be up 4.1% for the year. This is much stronger than annual CPI inflation (1.4%), and is largely explained by significantly higher dairy prices received by farmers and dairy manufacturers.

While this flows through to some extent to consumer prices, NZ's dairy production is largely exported, thus the higher prices are chiefly a boon for farmers. This is expected to continue, with results from the 19 November GlobalDairyTrade auction showing dairy prices remaining elevated. This is particularly positive as it shows strong support for dairy prices through the peak production period of the season.

Strong dairy export volumes as reported in the October overseas merchandise trade data are reflective of increased milk production in the season to date. This is owing to the recovery from the drought, as well as the mild winter and spring, and will support a rebound in GDP growth in the second half of 2013.

Overall, while price pressures in the economy remain modest at present, with subdued CPI inflation, wage inflation and retail prices, we expect these to pick up in line with the strengthening in the economy. CPI inflation is expected to head towards the centre of Reserve Bank's target band of 2% over the course of 2014.

A more complete assessment of the outlook for the New Zealand economy will be released as part of the *Half Year Economic and Fiscal Update* (HYEFU) on 17 December.

Recovery continues in the developed world...

Developments in advanced economies were largely positive in November, led by resilient US activity despite October's government shutdown, and lifted expectations for tapering in December. China's outlook remained stable, although other emerging Asian economies were softer.

...with surprising strength in US activity...

The US economy expanded 0.7% in the September quarter, confirming a gradual recovery. The rise in non-farm payrolls by a solid 204,000 in October and upward revisions to the August and September figures showed private sector-led strength in the labour market. Solid jobs growth supported retail sales, which rose 0.4% to be up 3.9% annually in October. Strong ISM manufacturing and non-manufacturing PMIs in October also pointed to expansion in activity. US markets were buoyant: the S&P and the Dow reached all-time highs. The recovery appears to have remained intact despite the October government shutdown.

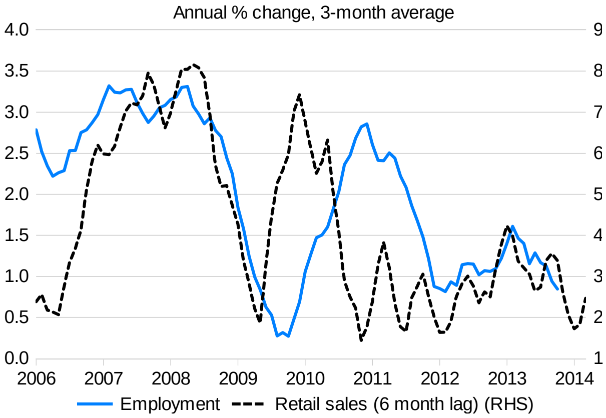
...raising expectations of early tapering...

While most analysts see March as the most likely timing for the Federal Reserve to taper asset purchases, the likelihood of a December taper rose. The December case is supported by surprising strength in data, and will be reinforced if Congress agrees to a long-term fiscal plan by 13 December. On the other hand, uncertainty over the state of the economy and softer signs in the housing market argue against early tapering.

...as Australia shows some improvement...

In Australia, the pick-up in the housing market is starting to support household consumption. Historically-low mortgage rates, owing to 225 bps of RBA rate cuts since late 2011, have led to a recovery in housing demand and house prices. Higher house prices appear to be lifting confidence, in turn boosting retail sales, which rose 0.8% in September to be up 2.9% annually. However, the still-subdued conditions in the labour market are reflected by weak employment growth, which is dominated by part-time positions. Figure 6 suggests that a more sustained pick-up in domestic demand, likely helped by low interest rates, is needed to stabilise the labour market.

Figure 6: Australian retail sales and employment



Source: Haver

...and upswings sustained in the euro area, the UK and Japan

The euro area economy grew 0.1% in the September quarter, showing a weak recovery. Many indicators of activity are still soft, including September's unemployment rate (12.2%) and retail sales volume (down 0.6%), but PMIs remained in positive territory. The ECB cut its policy rate from 0.5% to 0.25% in response to low inflation, and this is expected to support lending and activity. The ECB is reportedly considering adopting a negative deposit rate to boost bank lending.

The UK's GDP grew 0.8% in the quarter, signalling a strong pace of recovery. House prices continued to rise and elevated PMIs in October pointed to continued strong growth in activity. The BoE revised up its growth forecasts for 2013 and 2014, and now expects the unemployment rate to fall below 7.0% by mid-2015, raising the likelihood of an earlier rate hike than signalled earlier.

The Japanese economy expanded 0.5% in the quarter, with growth slowing compared to early 2013 on softer net exports, while domestic demand remained strong. Inflation rose to 1.0% in September on monetary easing and yen weakness, showing that the BoJ is progressing towards its 2% inflation target.

...but risks remain for developed economies

Despite steady improvements, risks remain for the advanced economies. If a long-term US fiscal plan is not finalised in December, markets are likely to be affected as extensions for public spending and the debt limit expire in early 2014. In Japan, supply-side reforms are needed to raise real incomes, improve the fiscal position and ensure sustainable growth. In the euro area, high unemployment and weakness in bank lending continue to weigh on the fragile recovery.

Chinese activity remains positive...

Chinese activity remained steady. Annual growth in industrial production, retail sales, and fixed asset investment was solid in October, and the official manufacturing and services PMIs were at high levels. Softer lending growth in October suggests an impact from the tightening of liquidity by the People's Bank of China during the month, but also, more positively, efforts by authorities to reduce the growth of credit risk.

Plans for economic reforms were disclosed, including financial liberalisation, privatisation of SOE-dominated industries, and transparency in local government finances. These were seen as growth-friendly and supported market sentiment.

...but softer signs elsewhere in emerging Asia

Domestic demand was mostly lacklustre in other emerging Asian economies in the September quarter. Taiwan's GDP rose by a sluggish 0.1%. Thailand's economy grew 1.3% on strong exports, but private consumption and investment contracted. Hong Kong's GDP rose 0.5%, but private consumption fell. However, the Malaysian outturn was positive, with 1.7% quarterly growth backed by private sector strength.

NZ appears little affected so far by the emerging Asian slowdown

Weaker demand in emerging Asian economies (excluding China) did not noticeably affect NZ goods exports to the region for the year ended October 2013, and goods exports to China were up 38.5% in the period. Exports to developed economies were flat or declined over the year to October, with Europe, the US and UK practically unchanged, Australia down 9.4% and Japan down 12.8%. The total value of exports was up 1.0% relative to the year ended October 2012. External demand appears to be steady for now despite a slowdown in some of our trading partners, as strong growth in demand from China offsets weakness elsewhere.

Monthly Economic Indicators is a regular report prepared by the Modelling and 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

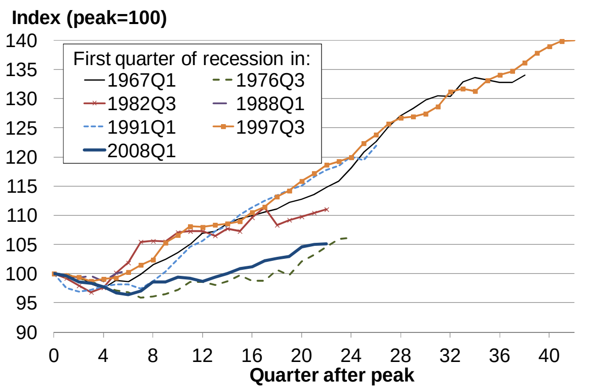
Special Topic: Recession and recovery: how do we compare?

The recession and recovery of 2008-13 can be compared with previous New Zealand recessions and recoveries, and with those in other countries. Data lags and revisions mean that the interpretation of business cycle developments can change over time.[1]

The dating of real GDP recessions and recoveries matters for interpretation

Figure 1 shows the path of New Zealand's real GDP over 2008-13 compared with previous New Zealand recessions that began in 1967, 1978, 1982, 1988, 1991 and 1997.[2] The method used to identify the timing of New Zealand's past recessions comes from a paper by Viv Hall and John McDermott.[3] They use a statistical method to identify turning points in real GDP rather than the commonly used 'technical recession' criterion of two consecutive quarters of negative growth.[4]

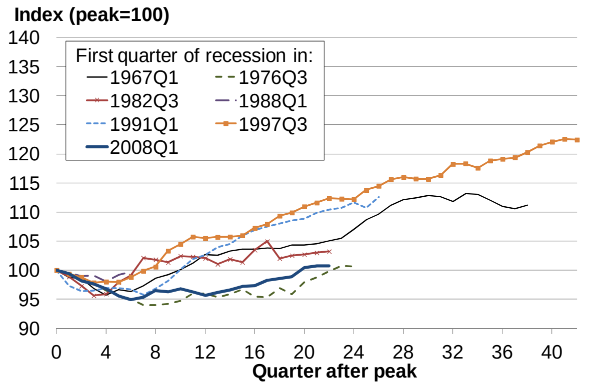
Figure 1 – New Zealand real GDP



Source: Statistics New Zealand, Hall and McDermott (2011)

Demographic factors that impact on working-age population growth may complicate comparisons across time. Figure 2 presents comparisons for real GDP per person aged 15-64 (as a proxy for the working-age population). Population estimates are only available annually before 1991, so quarterly estimates for this period are the result of interpolation. Adjusting for working-age population does not change the picture much, although it means there are greater differences in the recovery paths following recessions that began in 1967, 1982, 1991 and 1997.

Figure 2 – New Zealand real GDP per person aged 15-64



Source: Statistics New Zealand, Hall and McDermott (2011)

Initial recession phase in 2008 was in line with the average of past New Zealand recessions

In the first three quarters of 2008, real GDP fell in line with the average of past recessions in New Zealand. Indeed, in this initial phase, the recession was less severe than had been experienced in 1967, 1982 and 1991. The initial phase of recession was before the global recession, driven by domestic factors of monetary tightening (in response to rising inflation and inflation expectations), sharply exacerbated by severe drought in late 2007 and early 2008.

But the 2008/09 recession was deeper and longer than the average

Hall and McDermott compare recessions by their length (number of quarters) and overall severity. Severity is defined as cumulative GDP loss and is therefore a measure which reflects both duration and depth. Figure 3 shows that the recession in 2008-09 was the second longest and most severe in this sample behind the 1976-78 recession. The Lehman Brothers bankruptcy in September 2008 and consequent global recession coincides with the divergence in the path of real GDP from the average of past recessions.

---

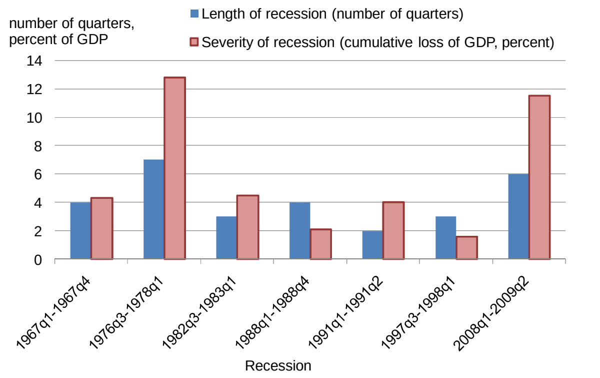
[1] Indeed, expected revisions in the forthcoming September GDP release mean that there are likely to be some differences in the measured pace of the recent recovery from the current vintage of data.

[2] We have excluded from this analysis the period before 1955 due to concerns about data quality. Further discussion of the estimates is in Viv B. Hall and C. John McDermott (2011) "A quarterly post-Second World War real GDP series for New Zealand", *New Zealand Economic Papers*, 45:3, 273-298.

[3] Viv B. Hall and C. John McDermott (2013) "Recessions and recoveries in New Zealand's post-second world war business cycles", 23 October 2013. http://www.victoria.ac.nz/sef/about/staff/pdf/HMcD-RecRec-23-Oct-2013.pdf

[4] There are, of course, alternative ways to interpret the data. Brian Easton interprets New Zealand's GDP per capita cycles through the lens of five 'great stagnations'. See http://www.treasury.govt.nz/publications/media-speeches/guestlectures/easton-jul11.

Figure 3 – Length and severity of recessions



Source: Hall and McDermott (2013)

The recovery has been U-shaped, which looks similar to the 1976-82 cycle

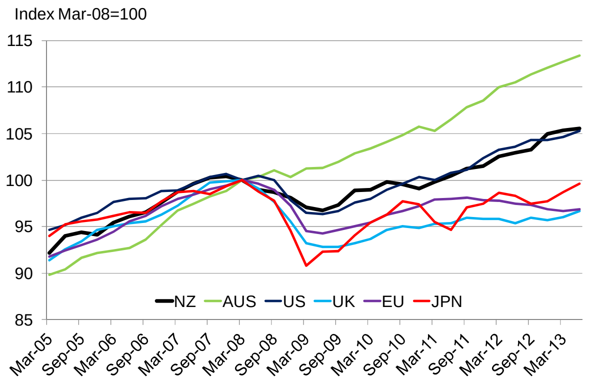
Most of the previous recoveries look V-shaped, with reasonably fast, positive growth returning after three or four quarters of recession (although recovery following the 1991 recession took longer to take hold). In contrast, the most recent recession/recovery cycle looks decidedly ‘U-shaped’, similar to that of the 1976-82 cycle. In the second half of 2010 there were two consecutive quarters of negative real GDP growth, meeting the definition of technical recession. This further delayed the recovery.

Part of the reason for the U-shaped cycle is no doubt the unusual set of domestic and global shocks that have negatively impacted domestic and external demand (i.e. consumption, investment and exports). However, comparisons with the 1970s raise the question of whether there are also supply-side explanations for the slow recovery. Earthquakes and drought are obvious supply-side factors. We have also observed lower productivity growth over the 2000s and the RBNZ and Treasury have both downgraded potential growth expectations post GFC as a consequence. There has been international debate about the extent to which the supply side has been damaged by insufficient aggregate demand.

International comparisons show real GDP performance similar to the US

Figure 4 shows the path of real GDP indexed to March 2008 for New Zealand, Australia, US, UK, EU and Japan. There are noticeable differences in performance. Australia continued to grow throughout the GFC, partly helped by a large fiscal stimulus and strong demand from China for hard commodities. Europe, UK and Japan had severe recessions and very slow recoveries. New Zealand and the United States are in between, with somewhat less severe recessions than in UK, Europe and Japan followed by gradual recoveries. The reasons for the divergence in performance across countries are debated. Differing degrees of monetary, fiscal and exchange rate flexibility, as well as the relative size of and damage sustained by each country’s financial sector, are undoubtedly a large part of the story. The different experiences highlight the critical role of well-functioning banking systems in modern economies.

Figure 4 – Real GDP by country



Source: Haver

This analysis has been confined to real GDP. Of course, other variables matter. In particular, the cost of recessions is particularly related to its impact on employment. While New Zealand’s real GDP performance has been strikingly similar to the US, the employment situation has been different. In New Zealand the unemployment rate rose from 3.5% to 7% (now 6.2%), while in the US it rose from 5% to 10% (now 7.3%).

Overall, New Zealand has had a severe recession and slow recovery but it is comparable to historical and international experience

This analysis has shown that the 2008-09 recession has been New Zealand’s second longest and most severe since the mid 1950s (after that of 1976-78). The recovery has also been the second slowest to recover to the pre-recession level of real GDP in both aggregate and per capita terms. New Zealand’s experience has not been unusual and our performance is similar to the US, better than UK and Europe but compares less favourably with Australia.

New Zealand Key Economic Data

Quarterly Indicators

		2012Q1	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg[1]	1.0	0.4	0.3	1.6	0.4	0.2	...
	ann ave % chg	1.9	2.4	2.5	2.7	2.7	2.7	...
Real private consumption	qtr % chg[1]	0.7	0.2	0.2	1.6	0.6	1.5	...
	ann ave % chg	2.5	2.7	2.4	2.4	2.3	2.6	...
Real public consumption	qtr % chg[1]	-0.8	0.9	0.4	-0.8	-0.2	0.5	...
	ann ave % chg	1.8	1.6	1.2	0.5	0.4	0.1	...
Real residential investment	qtr % chg[1]	0.1	8.4	4.6	2.4	8.1	-1.6	...
	ann ave % chg	-10.8	-2.2	6.6	12.1	18.9	18.5	...
Real non-residential investment	qtr % chg[1]	3.6	2.6	-3.6	2.1	0.3	5.7	...
	ann ave % chg	6.0	5.8	4.5	5.0	4.2	3.1	...
Export volumes	qtr % chg[1]	-0.8	-1.1	3.1	0.4	2.5	-5.9	...
	ann ave % chg	3.0	2.9	3.6	2.6	3.0	2.7	...
Import volumes	qtr % chg[1]	3.0	-2.9	2.1	-0.6	2.2	1.3	...
	ann ave % chg	6.1	3.8	1.7	2.1	0.7	1.9	...
Nominal GDP - expenditure basis	ann ave % chg	3.8	4.0	3.0	2.3	2.4	2.1	...
Real GDP per capita	ann ave % chg	1.0	1.5	1.7	2.0	2.0	2.0	...
Real Gross National Disposable Income	ann ave % chg	2.9	2.0	1.6	1.1	0.9	2.3	...
External Trade								
Current account balance (annual)	NZ$ millions	-7,833	-8,915	-9,082	-9,829	-9,512	-9,099	...
	% of GDP	-3.8	-4.3	-4.3	-4.7	-4.5	-4.3	...
Investment income balance (annual)	NZ$ millions	-9,502	-9,957	-9,645	-9,300	-9,327	-8,653	...
Merchandise terms of trade	qtr % chg	-2.3	-2.5	-3.2	-1.2	4.2	4.9	...
	ann % chg	-2.1	-6.7	-9.2	-8.9	-2.8	4.5	...
Prices								
CPI inflation	qtr % chg	0.5	0.3	0.3	-0.2	0.4	0.2	0.9
	ann % chg	1.6	1.0	0.8	0.9	0.9	0.7	1.4
Tradable inflation	ann % chg	0.3	-1.1	-1.2	-1.0	-1.1	-1.6	-0.5
Non-tradable inflation	ann % chg	2.5	2.4	2.3	2.5	2.4	2.5	2.8
GDP deflator	ann % chg	-0.3	1.4	-1.5	-2.8	0.8	1.0	...
Consumption deflator	ann % chg	1.3	0.9	0.7	0.6	0.4	-0.1	...
Labour Market								
Employment (HLFS)	qtr % chg[1]	0.2	0.1	-0.4	0.5	0.2	0.4	1.2
	ann % chg[1]	0.9	0.6	0.0	0.4	0.4	0.7	2.4
Unemployment rate	%[1]	6.8	6.8	7.2	6.7	6.2	6.4	6.2
Participation rate	%[1]	68.7	68.5	68.4	68.2	67.9	68.1	68.6
LCI salary & wage rates - total (adjusted)[5]	qtr % chg	0.4	0.5	0.5	0.5	0.4	0.4	0.4
	ann % chg	2.0	2.0	1.9	1.8	1.8	1.7	1.6
QES average hourly earnings - total[5]	qtr % chg	1.4	0.1	1.1	-0.1	0.8	0.2	1.6
	ann % chg	3.8	2.9	2.8	2.6	2.1	2.1	2.6
Labour productivity[6]	ann ave % chg	0.7	1.6	2.8	3.5	2.7	2.1	...
Retail Sales								
Core retail sales volume	qtr % chg[1]	-0.1	0.3	0.3	1.0	0.9	2.1	-0.1
	ann % chg	4.3	4.2	1.7	1.8	2.5	4.4	4.3
Total retail sales volume	qtr % chg[1]	0.4	0.9	0	1.8	0.8	1.5	0.3
	ann % chg	4.2	4.7	2.2	3.2	3.5	4.2	4.7
Confidence Indicators/Surveys								
WMM - consumer confidence[3]	Index	102	100	103	111	111	117	115
QSBO - general business situation[4]	net %	13.0	-4.1	8.0	19.8	23.0	31.9	37.6
QSBO - own activity outlook[4]	net %	16.9	8.1	17.7	18.7	18.1	17.8	30.3

Monthly Indicators

		2013M05	2013M06	2013M07	2013M08	2013M09	2013M10	2013M11
External Sector								
Merchandise trade - exports	mth % chg[1]	-0.8	0.4	12.8	-2.7	-8.5	0.1	...
	ann % chg[1]	-8.0	-4.2	-5.3	-0.3	16.3	22.6	...
Merchandise trade - imports	mth % chg[1]	-2.7	13.0	-5.8	2.0	14.5	-8.2	...
	ann % chg[1]	-3.4	-6.6	17.0	10.0	-1.0	5.7	...
Merchandise trade balance (12 month total)	NZ$ million	-901	-819	-1705	-2126	-1550	-1005	...
Visitor arrivals	number[1]	229,360	225,780	228,130	228,250	225,720	220,990	...
Visitor departures	number[1]	231,280	236,830	230,520	229,030	229,250	221,770	...
Housing								
Dwelling consents - residential	mth % chg[1]	0.7	-1.9	-3.4	1.5	1.4	...	...
	ann % chg[1]	43.7	20.5	28.1	16.3	22.4	...	...
House sales - dwellings	mth % chg[1]	-2.1	-7.3	12.9	-3.1	2.7	0.6	...
	ann % chg[1]	7.5	0.0	14.7	8.5	18.9	2.1	...
REINZ - house price index	mth % chg	0.7	0.0	-0.5	2.1	0.8	1.6	...
	ann % chg	8.7	8.4	8.6	9.5	9.8	9.9	...
Private Consumption								
Electronic card transactions - total retail	mth % chg[1]	0.7	1.1	0.5	0.5	-0.9	1.4	...
	ann % chg	5.4	5.1	7.7	6.4	3.5	7.0	...
New car registrations	mth % chg[1]	1.7	-0.2	8.0	-3.0	-5.8	5.0	...
	ann % chg	16.3	15.6	27.6	23.0	15.8	16.2	...
Migration								
Permanent & long-term arrivals	number[1]	7,800	8,220	7,740	7,950	8,050	8,290	...
Permanent & long-term departures	number[1]	6,070	6,000	5,740	5,770	5,260	5,280	...
Net PLT migration (12 month total)	number	6,242	7,907	10,569	12,848	15,174	17,490	...
Commodity Prices								
Brent oil price	US$/Barrel	102.52	102.92	107.89	111.34	111.64	109.16	*107.65*
WTI oil price	US$/Barrel	94.80	95.80	104.61	106.57	106.29	100.56	*94.00*
ANZ NZ commodity price index	mth % chg	0.7	0.9	0.6	0.7	-1.1	-1.0	...
	ann % chg	17.3	22.5	26.9	28.8	23.8	21.2	...
ANZ world commodity price index	mth % chg	-1.6	-3.7	0.6	0.7	0.9	1.4	...
	ann % chg	26.1	24.5	25.7	26.0	22.9	22.9	...
Financial Markets								
NZD/USD	$[2]	0.8267	0.7908	0.7885	0.7923	0.8125	0.8349	*0.8279*
NZD/AUD	$[2]	0.8325	0.838	0.8594	0.877	0.8759	0.8784	*0.8846*
Trade weighted index (TWI)	June 1979 = 100[2]	77.31	74.00	74.78	74.75	76.22	77.25	*77.29*
Official cash rate (OCR)	%	2.50	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill rate	%[2]	2.64	2.64	2.64	2.64	2.65	2.67	*2.66*
10 year govt bond rate	%[2]	3.37	3.84	4.23	4.47	4.70	4.65	*4.70*
Confidence Indicators/Surveys								
ANZ - business confidence	net %	41.8	50.1	52.8	48.1	54.1	53.2	60.5
ANZ - activity outlook	net %	34.3	45.0	43.7	43.3	45.3	47.1	47.1
ANZ-Roy Morgan - consumer confidence	net %	123.7	123.9	119.8	123.0	118.8	122.3	128.4
Performance of Manufacturing Index	Index	58.9	55.0	59.3	57.0	54.2	55.7	...
Performance of Services Index	Index	55.9	55.0	58.0	52.7	56.4	58.2	...

qtr % chg — quarterly percent change
mth % chg — monthly percent change
ann % chg — annual percent change
ann ave % chg — annual average percent change

1 Seasonally adjusted
2 Average (11am)
3 Westpac McDermott Miller
4 Quarterly Survey of Business Opinion
5 Ordinary time
6 Production GDP divided by HLFS hours worked

Sources: Statistics New Zealand, Reserve Bank of New Zealand, NZIER, ANZ, Haver, Westpac McDermott Miller, ANZ-Roy Morgan, REINZ, BNZ-Business NZ